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Graeme W. Austin

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# IMPORTING KAZAA - EXPORTING GROKSTER

Graeme W. Austin†

## I. INTRODUCTION

From reading the opinions of the Supreme Court in *MGM v. Grokster*,<sup>1</sup> one might be forgiven for thinking that the legal issues generated by the advent of Peer-to-Peer (P2P) products and services are entirely domestic concerns.<sup>2</sup> The *Grokster* opinions neither take account of the global dissemination of P2P products and services nor acknowledge the broad geographic dispersion of many of those primary infringements the defendants allegedly induced. But the international aspects of P2P litigation may not remain mere back story for long; they may become an important aspect of the arduous battle that continues between the copyright industries and those who seek to develop new technologies that facilitate the copying and distribution of digital content. Users of P2P products and services are “everywhere around the world.”<sup>3</sup> Technology entrepreneurs and their

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† J. Byron McCormick Professor of Law, James E. Rogers College of Law, University of Arizona. Thanks to Professor Tyler Ochoa for his very kind invitation to present this article at the Santa Clara University School of Law Conference on Third Party Liability in Intellectual Property Law on October 7, 2005, to Professors David Adelman, Paula Baron, Jane Ginsburg, Paul Myburgh, Leanne Wiseman and Peter Yu for their insightful comments on an earlier draft, to Yakov Sidorin, Rogers College of Law Class of 2007, for excellent research assistance, and to Eric Hutchins and the members of the Santa Clara Computer & High Technology Law Journal for their sensitive and insightful editing.

1. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 125 S. Ct. 2764 (2005).

2. This article also uses the term “dual-use technologies” to denote technologies that can be used for both infringing and non-infringing purposes. In addition, as Justice Breyer pointed out in his *Grokster* concurrence, such technologies may also be used where the copyright status of a user’s acts are uncertain, where, for instance, copying may or may not constitute fair use. *Id.* at 2791.

3. Todd Woody, *The Race to Kill Kazaa*, WIRED MAGAZINE, Feb. 2003, at 104, <http://www.wired.com/wired/archive/11.02/kazaa.html>; Timothy L. O’Brien, *King Kong vs. the Pirates of the Multiplex*, NY TIMES, Aug. 28, 2005 at sec. 3, pg. 1 (discussing the prevalence of pirated movie sales around the world). “At the beginning of 2004, the Kazaa website said over 317 million people, worldwide, had downloaded Kazaa onto their computers, thereby enabling them to share files.” *Universal Music Australia Pty Ltd v. Sharman License Holdings Ltd. (Kazaa)* [2005] FCA 1242. (Austl.), Summary (Wilcox, J.), at 2, available at 2005 WL 2119310. Some of the legal implications of the transnational character of P2P networks are

business partners are often geographically dispersed, and business structures can be “split” to leverage advantages provided by different national legal systems.<sup>4</sup> The digital content, whose “sharing” is facilitated by these products and services, regularly traverses back and forth across international borders.<sup>5</sup> And, of course, parallel litigation has been initiated in other major jurisdictions.<sup>6</sup>

What would the law on P2P products and services look like if courts directly engaged the issue of the application of domestic copyright law to conduct occurring in foreign territories? A recent *Washington Post* article effectively captures the importance of this issue, suggesting that the Supreme Court’s *Grokster* decision has forced all P2P services to “face a choice: Go legitimate, as the music industry says, shut down, or move outside the U.S. jurisdiction.”<sup>7</sup> This article explores this question in light of *Grokster* and the parallel September 2005 decision in the Federal Court of Australia, *Universal Music Australia Pty. Ltd. v. Shaman License Holdings Ltd.*, (“*Kazaa*”).<sup>8</sup> Though the *Grokster* service has shut down, issues relating to the extraterritorial reach of liability theories remain alive,

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noted by Professor Peter Yu in *P2P and the Future of Private Copying*, 76 U. COLO. L. REV. 653, 677-79 (2005).

4. *Grokster* and *Kazaa* involved defendants variously located in the United States, Estonia, Nevis, the Netherlands, Australia, and Vanuatu. Vanuatu, for example, has strong corporate privacy laws impeding disclosure of true shareholder lists and company structures.

5. “This system operates world wide.” *Kazaa*, [2005] FCA 1242, Summary (Wilcox, J.), at 2. (describing the *Kazaa* Internet P2P file sharing system). See also the statement of Hon. Mary Beth Peters, “new services that employ peer-to-peer technology create vast, global networks of copyright infringement.” *Protecting Innovation and Art While Preventing Piracy: Hearing on S. 2560, The Intentional Inducement of Copyright Infringement Act of 2004, Before the Subcomm. on the Judiciary*, 109th Cong. (2004) (statement of Hon. Mary Beth Peters, Register of Copyrights), available at [http://judiciary.senate.gov/testimony.cfm?id=1276&wit\\_id=307](http://judiciary.senate.gov/testimony.cfm?id=1276&wit_id=307).

6. Examples include: In the Netherlands: *Kazaa/Buma-Sterma*, Hoge Raad der Nederlanden [HR] [Supreme Court of the Netherlands], Dec. 19, 2003, (Neth.). In Norway: The Oslo Trial Court, *Toslo* 2004-94328, May 27, 2004 (unofficial translation on file with the author) (in a criminal prosecution for copyright infringement based on *inter alia* the defendant’s maintenance and active participation in the operation of a file-sharing hub, briefly adverted to the international context in which file sharing takes place, and concluded that though the defendant’s actions could have facilitated file sharing between users in Italy and the United States, the criminal act of “aiding to breach the Copyright Act has been done in Norway, and the act is therefore punishable.”). In Hong Kong: *Man Jailed in 1st Copyright Violation Case*, BIZREPORT, Nov. 7, 2005, <http://www.bizreport.com/news/9473/> (Nov. 2005 criminal conviction in Hong Kong for use of the BitTorrent P2P system).

7. Frank Ahrens, *June Supreme Court Ruling Taking Toll on Music Sharing*, WASHINGTON POST, Oct. 1, 2005, at D01.

8. *Universal Music Australia Pty. Ltd. v. Shaman License Holdings Ltd. (Kazaa)* [2005] FCA 1242 (Austl.) (appeal pending).

both for other domestic services and for P2P networks established in one or more foreign nations that have international effects.

Part II considers the potential impact of the *Kazaa* decision on other jurisdictions, including the United States. The Australian Parliament has enacted legislation that allows courts to apply Australian law to copyright material that reaches audiences outside its borders. Implementing the 1996 WIPO Copyright Treaty, Australian copyright law provides a copyright owner with a “right to communicate the work to the public.”<sup>9</sup> As enacted in the Commonwealth statute, an author’s right to communicate the work includes communications both to and *from* Australia. This is an example of a domestic legislature attempting to localize legal liability for conduct that has significant potential for cross-border effects.

Part III explores the opportunities for applying *Grokster*’s inducement theory to conduct in foreign jurisdictions. Copyright owners may have welcomed the new “inducement” theory announced by the *Grokster* Court.<sup>10</sup> Yet litigants may soon be embroiled in the task of determining how the theory might apply to conduct that occurs abroad.<sup>11</sup> Copyright industries may seek to “export” *Grokster*, and attempt to add it to extant liability theories that enable U.S. courts to apply U.S. intellectual property legislation and interpretive doctrine to activities in foreign jurisdictions.<sup>12</sup> Determining when *Grokster* might apply to foreign conduct implicates the principle of the territoriality of domestic copyright law.<sup>13</sup> Part III first considers the issue of

9. Copyright Amendment (Digital Agenda) Act, 2000, Act No. 110 of 2000 (Austl.), inserting § 31(1)(a)(vi) and 31(1)(b)(iii) into the Copyright Act, 1968, Act No. 63 of 1968, as amended [hereinafter Australian Copyright Act of 1968].

10. The *Grokster* Court adapted this theory from U.S. patent law. The Patent Act now codifies the inducement theory. See 35 U.S.C.A. § 271(b) (West 2000): “Whoever actively induces infringement of a patent shall be liable as an infringer.”

11. Assuming that simple pressure is not effective. See Reuters, *Music sites caving to pressure from labels?*, ZDNET News, Sept. 22, 2005, [http://news.zdnet.com/2100-9588\\_22-5876547.html](http://news.zdnet.com/2100-9588_22-5876547.html) (discussing the shutting down of some P2P services following receipt of cease and desist letters).

12. The strategy of applying U.S. law abroad will likely be in addition to, rather than a substitute for, suing local defendants in their home jurisdictions. See, e.g., *Record Labels Target Baidu in Copyright Suit*, Yahoo! Music (Austl.), Sept. 16, 2005, <http://au.launch.yahoo.com/050916/11/9fkk.html> (discussing a copyright infringement action brought by music licensing organizations against Baidu.com in Beijing, alleging that the Chinese Internet search engine has been illegally providing links to free digital music downloads).

13. *Quality King Distrib., Inc. v. L’Anza Research Int’l, Inc.*, 523 U.S. 135, 154 (1998) (Ginsburg, J., concurring) (describing copyright’s territoriality principle as “Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation’s borders.” (quoting 3 PAUL GOLDSTEIN, COPYRIGHT § 16.0 (2d ed. 1998))).

exporting *Grokster* “*de jure*,” and identifies the potential within the increasingly fluid doctrine on the territoriality of intellectual property rights for application of the *Grokster* inducement theory across international borders. The paper then considers the issue of “*de facto*” exporting of indirect liability theories. Justice Breyer’s concurring opinion in *Grokster* provides a focus for this discussion. Justice Breyer, and the two Justices who joined his opinion, would preserve a robust safe harbor for products and services that are capable of substantial non-infringing uses. One difficulty with this approach, however, is that it has the potential to impose on every other nation a “balance” struck with U.S. economic and technological conditions in mind. This policy would seem to lead to greater freedom on the part of the developers of dual-use technologies to act in ways that facilitate greater circulation of copyright protected works. Absent geographical filtering, such works are likely to reach users in nations that see the balance between technological freedom and copyright protection differently.

In the digital environment, there may be an irreconcilable tension between the territoriality of intellectual property rights and *de jure* and *de facto* exporting of one nation’s copyright policies. Legal actors will increasingly need to engage with how to reconcile respect for territorial sovereignty with the inevitability that domestic copyright policies increasingly have extraterritorial effects.<sup>14</sup> Part IV offers some preliminary observations about factors that might be relevant to the task of reconciling this tension in the P2P context, and argues that public international law norms may provide a useful source of principles to guide domestic courts as they engage more directly with the international aspects of P2P litigation.

## II. IMPORTING *KAZAA*

### A. Authorizing Copyright Infringement

*Kazaa* was based on a full record and the judgment was rendered after a complete bench trial. The Australian federal court began its analysis with the Australian copyright statute, which expressly provides that a copyright is infringed by someone who “does. . .or authorizes the doing. . .of any act comprised in the copyright.”<sup>15</sup> This

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14. See generally, Hannah L. Buxbaum, *Conflict in Economic Laws: From Sovereignty to Substance*, 42 VA. J. INT’L L. 931 (2002).

15. Australian Copyright Act of 1968 § 101(1). Early in the trial, Judge Wilcox, sitting as the sole judge in the Australian Federal Court, apparently directed the parties to focus on the

is the parallel provision to § 106 of the U.S. Copyright Act, which enumerates the acts that comprise rights of the copyright owner, and states that the copyright owner “has the right to do *and to authorize*”<sup>16</sup> those acts.<sup>17</sup> The approach of the Australian court contrasts markedly with that of the *Grokster* Court, which did not ground its liability theory in the right of the copyright owner in §106 “to authorize” others to do the exclusive acts that comprise the rights of the copyright owner. Indeed, in U.S. case law, there is very little judicial analysis of the meaning of “to authorize” in § 106. United States courts, including the Supreme Court in *Grokster* have almost invariably<sup>18</sup> substituted the “authorization” concept with common law theories of vicarious, contributory, and now, inducement liability.<sup>19</sup>

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central question of whether the defendants had authorized the infringements by the P2P users. His Honor observed: “It really comes down to whether or not you can be said to authorise the infringements and that in turn probably comes down to the question of what . . . steps, if any, you take that can be said to be [by] way of encouragement. . . . That’s what really the case is about.” John Davidson, *Billions at Stake in Kazaa Court Case*, AUSTRALIAN FINANCIAL REVIEW, Dec. 7, 2004, quotation reproduced in Matthew Rimmer, *Hail To The Thief: A Tribute To Kazaa*, 2 U. OTTAWA L. & TECH. J. 173, 208-09 (2005).

16. 17 U.S.C. § 106 (2000) (emphasis added).

17. The 1909 Copyright Act codified a number of forms of liability for the acts of others. See, e.g., 17 U.S.C. § 1 (1909) which described the “exclusive rights as to copyright works” enjoyed by copyright owners, including: (c) To deliver, authorize the delivery of, read, or present the copyrighted work in public for profit if it be a lecture, sermon, address or similar production, or other nondramatic literary work; to make or procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, delivered, presented, produced, or reproduced[.]; (d) . . . to make or to procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, performed, represented, produced, or reproduced[.] Criminalization of willful infringement of copyright under the 1909 Act extended to persons “who should knowingly and willfully aid or abet such infringement.” 17 U.S.C. § 104(b) (1909).

18. A few cases engage somewhat more directly with the meaning of “authorize” in 17 U.S.C. § 106 (2000). See, e.g., *Venegas-Hernandez v. ACEMLA* 424 F.3d 50 (1st Cir. 2005) (tort of authorization of copyright infringement requires proof of infringing act after the authorization); *ITSI T.V. Prods. v. California Authority of Racing Fairs*, 785 F. Supp. 854, 860 (E.D. Cal. 1992); *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59, 62 (3d Cir. 1986); *Peter Starr Prod. Co. v. Twin Continental Films*, 783 F.2d 1440, 1442 (9th Cir. 1986); *Thomas v. Pansy Ellen Prods., Inc.*, 672 F. Supp. 237, 241 (W.D.N.C. 1987).

19. Never once did the *Grokster* Court consider whether the defendants might have been liable under § 106 for having “authorized” the reproduction or public distribution of copyright protected works by the P2P subscribers. The *Sony* Court went so far as to suggest that the statute is devoid of express language providing for the imposition of liability for the acts of others. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (discussing the provision for “contributory” liability in the Patent Act, 35 U.S.C. § 271(c) (year), and then observing of the Copyright Act that “[t]he absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity”) (footnote omitted). The Court’s approach does find support in the House Report on the 1976 Copyright Act, which

Unlike the U.S. copyright statute, the Australian Copyright Act provides judges with further, and quite elaborate, guidance on the concept of "authorization." The Australian Copyright Act lists a number of non-exclusive factors that courts are required to take into account, including:

- (a) the extent (if any) of the person's power to prevent the doing of the act concerned;
- (b) the nature of any relationship existing between the person and the person who did the act concerned;
- (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.<sup>20</sup>

These factors build on<sup>21</sup> judicial analyses in a long line of Australian and Commonwealth cases that have considered the scope of the concept of infringement by "authorization."<sup>22</sup> However, the statutory factors are not exhaustive,<sup>23</sup> and they can be supplemented as the particular facts of cases demand. Significantly, the factors appear to provide for a finding of authorization in situations in which the authorizing defendant cannot control the end user. This is implied

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explains that use of the phrase "to authorize" was intended to "avoid any question as to the liability of contributory infringers," and gives the example of someone who, having lawfully acquired a copy of a motion picture, rents it out for unauthorized public performance. H.R. REP. NO. 1476 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5674; *see also* S. REP. NO. 473 (1975). Forms of indirect liability in copyright law have long been endorsed by U.S. courts. *See Sony*, 464 U.S. at 435-36 (discussing *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911), in which Justice Holmes considered that the defendant had "contributed" to the infringement of copyright by others). Many lower court cases have also recognized the concept. *See Sony*, 464 U.S. at 436 n.18 (listing cases). The U.S. act's provision for the authorization concept is in the definition of the rights of the copyright owner, whereas the Australian legislation provides for liability for authorizing infringement in the definition of infringement.

20. Australian Copyright Act of 1968 § 101(1)(A).

21. The explanatory memorandum accompanying the Bill that added these factors took the view that the inclusion of the factors "essentially codifies" the common law development of the "authorization" tort. REVISED EXPLANATORY MEMORANDUM FOR THE COPYRIGHT AMENDMENT (DIGITAL AGENDA) ACT, 2000 (Austl.).

22. In Commonwealth jurisdictions, infringement by authorization first appeared in the United Kingdom Copyright Act of 1911. 1 & 2 Geo. 5, c. 46. *See generally* Ysolde Gendreau, *Authorization Revisited* 48 J. COPYRIGHT SOC'Y U.S.A. 341 (2001) (surveying case law).

23. *See Universal Music Australia Pty Ltd v. Cooper* (2005) FCA 972 (Austl.), *available at* 2005 WL 1650233, [81] (noting that the factors are "not exhaustive and do not prevent the Court from taking into account other factors, such as the respondent's knowledge of the nature of the copyright infringement.").

by the use of the words “if any” in the first factor of the Australian Copyright Act.<sup>24</sup>

In Anglo jurisprudence, the interpretation of “authorise” had become quite narrow. The House of Lords held in *C.B.S. Songs Ltd. v. Amstrad Consumer Electronics PLC*, a case involving a dual audio cassette player, that “to authorize” means “a grant, or purported grant, which may be express or implied, of the right to do the act complained of.”<sup>25</sup> This standard was meant to be narrower than an earlier test that focused on whether the defendant “sanctions, approves, or countenances” infringement by another.<sup>26</sup> In Australia, however, the High Court maintained the broader test. It held in *University of New South Wales v. Moorhouse*<sup>27</sup> that authorization does not require the granting of express or active permission to infringe copyright. Under *Moorhouse*, the defendant will be liable for infringement if: the defendant controls the means by which infringement takes place; makes that means available for the use of persons who might use it to infringe; and is indifferent as to whether or not they do in fact infringe.<sup>28</sup>

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24. *Kazaa*, [2005] FCA 1242 at [360].

25. *C.B.S. Songs Ltd. v. Amstrad Consumer Electronics PLC.*, [1988] A.C. 1013, 1054 (U.K.), available at 1988 WL 624207 (*per* Lord Templeman).

26. The broader test had been articulated by Lord Justice Atkin, as he then was, in *Falcon v. Famous Players Film Co.* [1926] 2 K.B. 474 (U.K.), available at 1926 WL 22110 (KBD).

27. *University of New South Wales v. Moorhouse* [1976] R.P.C. 1141 (Austl.). Decisions of the High Court of Australia are binding on the Federal Court. The Supreme Court of Canada recently declined to follow *Moorhouse* in *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 S.C.R. 339, in which McLachlin C.J. observed “With respect, I do not agree that this amounted to authorizing breach of copyright. *Moorhouse*, *supra*, is inconsistent with previous Canadian and British approaches to this issue. In my view, the *Moorhouse* approach to authorization shifts the balance in copyright too far in favour of the owner’s rights and unnecessarily interferes with the proper use of copyrighted works for the good of society as a whole” (internal citations omitted). The Canadian Court also observed “a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe [a] copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law. This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement.” *Id.* The difficulty under Canadian law will be determining whether copyright owners could rebut the presumption articulated by the Canadian court in the P2P context. Doubtless, it is trite to observe that the ability to rebut such a presumption will depend on the facts of individual cases. Where, however, there are fairly clear exhortations to infringe (“Join the Kazaa Revolution”), the presumption might be expected to be rebutted relatively easily.

28. Even in the United Kingdom, however, the narrower test has proven to be quite flexible, and has been more liberally applied in cases in which courts have identified a “joint venture” between the supplier and the primary infringer that reveals a common purpose that a product be used in an infringing way. HUGH LADDIE, PETER PRESCOTT, & MARY VITORIA, 2 *THE MODERN LAW OF COPYRIGHT AND DESIGNS* 1176 (3d ed. 2000).



In *Kazaa*, Justice Wilcox further developed the *Moorhouse* authorization principle and tailored it to the P2P context. He emphasized that the *Kazaa* defendants were not to be found liable merely because they provided facilities used to infringe the applicants' copyrights.<sup>29</sup> "Something more" was required.<sup>30</sup> With respect to the Sharman defendants, who were the principal operators of the *Kazaa* system, Justice Wilcox found that "something more" in Sharman's promotion of the P2P file-sharing facility,<sup>31</sup> its exhortations to users to use the facility to share files, and its promotion of the "Join the Revolution" movement on its website, a movement that, in the court's words, "is based on file-sharing, especially of music, and which scorns the attitude of record and movie companies in relation to their copyright works." Justice Wilcox observed that, "Especially to a young audience, the 'Join the Revolution' website material would have conveyed the idea that it was 'cool' to defy the record companies and their stuffy reliance on copyrights."<sup>32</sup> Similar analyses grounded on the specific facts of the case support the conclusion that most of the other named defendants had also infringed the applicants' copyrights by "authoriz[ing] the doing of" the acts that comprise the copyright owners' exclusive rights.<sup>33</sup>

The Australian court also paid close attention to the ability within the overall *Kazaa* system to monitor search requests by *Kazaa* users. The *Kazaa* search functionality was two-tiered, involving two types of "blue" and "gold" files. Sharman had been involved in a joint enterprise with another firm, Altnet, with the intention of developing a business to distribute copyright licensed content which eventually would turn a profit.<sup>34</sup> From the user's perspective, this meant that both unlicensed and licensed copyright material, the latter

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29. *Kazaa*, [2005] FCA 1242 at [401]. The Court was also concerned to preserve broader values of freedom of expression. The influence of these factors on Justice Wilcox was clearest in his discussion of the appropriate remedy "There needs to be an opportunity for the relevant respondents to modify the *Kazaa* system in a targeted way, so as to protect the applicants' copyright interests (as far as possible) but without unnecessarily intruding on others' freedom of speech and communication." *Id.* at [520].

30. *Id.*

31. The Australian court referred to a number of firms and one individual as the "Sharman" defendants. *Kazaa*, [2005] FCA 1242 at [7].

32. *Id.* at [405].

33. There are broad parallels with the factors identified by the *Grokster* Court, particularly the emphasis on advertising and touting of infringing uses of the services. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 125 S. Ct. 2764, 2779 (2005).

34. *Kazaa*, [2005] FCA 1242 at [113]. Altnet was also licensed to use the "*Kazaa*" trademarks.

accompanied by digital rights management information, was available on the Kazaa system. Altnet was able to disseminate licensed material to users of the Kazaa software in part by monitoring users' "blue" file searches. Search for the "gold" files was facilitated by a TopSearch index, which was regularly "pushed" to the computers acting as Kazaa supernodes.<sup>35</sup> "Gold" files were distributed by Altnet with metadata, regularly updated according to patterns of users' searches, which facilitated the sales of "gold" files. If a Kazaa subscriber's "blue search" search terms matched the terms included in the "gold" file metadata, Kazaa users were offered "gold" files along with the results of the "blue" file search.

The Australian court enjoined most of the *Kazaa* defendants from authorizing users to reproduce and publicly distribute copyright protected works, and from entering into a common design to "carry out, procure, or direct the said authorization."<sup>36</sup> The technical information about the interrelationship between the Kazaa software and the Altnet search system that was secured through discovery also enabled the Australian court to craft a ruling that would have allowed the Kazaa system to operate, albeit, on a different commercial basis, while implementing protections for the applicants' copyrights.<sup>37</sup> The court's formal orders are worth reproducing in full:

Continuation of the Kazaa Internet file-sharing system (including the provision of software programs to new users) shall not be regarded as a contravention of order 4 if that system is first modified pursuant to a protocol, to be agreed between the infringing respondents and the applicants or to be approved by the Court, that ensures either of the following situations:

(i) that: (a) the software program received by all new users of the Kazaa file-sharing system contains non-optional key-word filter technology that excludes from the displayed blue file search results all works identified (by titles, composers' or performers' names or otherwise) in such lists of their copyright works as may be provided, and periodically updated, by any of the applicants;

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35. The system gave Altnet knowledge of the IP addresses of the Kazaa users. *Id.* at [130].

36. The Court also made formal declarations that such infringement had occurred. *Id.* at [2]-[3].

37. The development of P2P technologies that allow filtering of copyright protected material has been the subject of discussion between record labels and technology entrepreneurs, following the Ninth Circuit's decision in *Napster*, and, more recently, since the Supreme Court's *Grokster* decision. See John Borland, *How Label-Backed P2P was Born*, NEWS.COM, Aug. 22, 2005,

[http://news.com.com/How+label-backed+P2P+was+born/2100-1027\\_3-5840310.html](http://news.com.com/How+label-backed+P2P+was+born/2100-1027_3-5840310.html).

and (b) all future versions of the Kazaa file-sharing system contain the said non-optional key-word filter technology; and (c) maximum pressure is placed on existing users, by the use of dialogue boxes on the Kazaa website, to upgrade their existing Kazaa software program to a new version of the program containing the said non-optional key-word filter technology; or

(ii) that the TopSearch component of the Kazaa system will provide, in answer to a request for a work identified in any such list, search results that are limited to licensed works and warnings against copyright infringement and that will exclude provision of a copy of any such identified work.<sup>38</sup>

### *B. Kazaa's Extraterritorial Reach*

The *Kazaa* court did not fully delineate the territorial reach of its holdings or of the remedy it imposed. In its declaration of infringement, the court described the infringement as “authorizing the doing *in Australia*” of Kazaa users’ of the infringing acts of reproducing sound recordings and communicating the recordings to the public.<sup>39</sup> The Australian statute makes plain that the act constituting the primary infringement must occur in Australia; however, it does not specify where the authorization needs to occur. Consistent with this statutory scheme, Justice Wilcox’s holdings on liability are indifferent to the location where the act constituting the authorization occurs. Other aspects of the holding and remedy are likewise only loosely tethered within territorial confines. For example, the “modifications” of the Kazaa system required by the Court are directed at the software “received by *all* new users of the Kazaa file-sharing system.”<sup>40</sup> Similarly, “*all* future versions” of the Kazaa system are to include filter technology, and maximum pressure is to be placed on “existing users,” without limitation to those in Australia, to upgrade to a system that deploys these filters.<sup>41</sup> There are no apparent restrictions on where those users are located or to where new versions of the Kazaa system software must be distributed. To be sure, Justice Wilcox’s remedy was limited to placing “maximum pressure” on users to upgrade to a version of the Kazaa program that included filtering technology, which is perhaps a tacit

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38. *Kazaa*, [2005] FCA 1242 at [5].

39. *Id.* at [521].

40. *Id.* at [5].

41. *Id.*

recognition of some of its limitations.<sup>42</sup> Also, the record disclosed that there *was* a significant volume of directly infringing activity occurring in Australia. Even so, there is no suggestion that the court was specifically concerned about the territorial limits of its holdings insofar as the acts of authorization (as compared with the direct acts that were authorized) are concerned.

We might wonder about the source of authority for the court's facially broad interventions—specifically, about how the holdings comply with the traditional principle that copyright law is inherently territorial.<sup>43</sup> Implicitly, at least, the Australian court appears to be reaching out in an effort to require changes in software and users' behavior in *foreign* jurisdictions.<sup>44</sup> The territorial restriction in the court's analysis concerns the *direct* infringement of reproduction and communication. This tracks the statutory definition of infringement, which imposes liability for copyright infringement on one who “does *in Australia*, or authorizes the doing *in Australia* of, any act comprised in the copyright.”<sup>45</sup> This approach is also consistent with the leading English authority on authorization, *Abkco Music & Records Inc. v. Music Collection International Ltd.*, where the English Court of Appeal held that a foreign firm that authorized infringement of copyright by primary acts within the United Kingdom was liable for authorizing infringement under the U.K. copyright statute.<sup>46</sup>

The approach of the English Court of Appeal in *Abkco Music* focused on a close reading of the U.K. statute, but was also grounded in the commitment by the English courts to the premise that “copyright is strictly territorial.”<sup>47</sup> Professor Paul Goldstein has suggested that copyright law is concerned principally with the relationship between authors and their public, a relationship that is usually manifest in the creation of markets for copyright protected works.<sup>48</sup> The territoriality principle is consistent with this perspective,

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42. I am grateful to Professor Paula Baron for this observation.

43. *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135, 154 (1998).

44. The Australian High Court has recently explicitly engaged in analysis that applied Australian law to conduct occurring in foreign territory in *Dow Jones & Company Inc. v. Gutnick* [2002] HCA 56 (Austl.). *available at* 2002 WL 31743880. Here, the High Court determined that an Australian court had jurisdiction over, and could apply Australian law to, allegedly defamatory statements received in Victoria, but sourced in New Jersey.

45. Australian Copyright Act of 1968, § 36 (emphases added).

46. *Abkco Music & Records Inc. v. Music Collection Int'l Ltd.*, [1995] R.P.C. 657 (U.K.), *available at* 1995 WL 1061017.

47. *Id.* at 660 (“In principle the law of copyright is strictly territorial in its application.”).

48. Paul Goldstein, *Copyright*, 38 J. COPYRIGHT SOC'Y U.S.A. 109 (1991).

to the extent that it recognizes that each nation's copyright laws, taken together, create those markets.<sup>49</sup> The commitment to the territoriality of copyright is also consistent with the view that the law governing that relationship should also govern the direct and indirect actions that threaten or interfere with it. This approach severs the authorization tort from the primary act of infringement and allows basic principles of a nation's copyright law, particularly those aspects that determine the basic rights of authors, to apply within the boundaries of the relevant nation state. Though the *Kazaa* court did not address this point directly, the absence of territorial limitations on the "authorization" aspect of the liability theory and the potentially broad reach of the court-imposed remedy indicate that the holding is consistent with these general ideas.

However, Australian law also offers a far more radically *extraterritorial* approach to enforcing the rights of copyright owners. As part of a package of reforms enacted in 2000, the Australian Parliament added a new right to copyright owners' bundle of rights: the right to "communicate" a work to the public. Communicating a work also includes the making available of copyright protected works including, for instance, the uploading of a work to a generally-accessible website. Among other things, the Copyright Amendment (Digital Agenda) Act (2000) enacted the legislation necessary for Australia to comply with the WIPO Copyright Treaty ("WCT") which also includes a right to communicate a work to the public.<sup>50</sup> Article 8 of the WCT provides that "authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them." Article 8 applies to the full bundle of rights of the copyright owner, and was intended to pave over gaps in the rights to disseminate copyright protected works provided in the Berne Convention.<sup>51</sup> The WCT is, however, silent on the

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49. In the United States, we are familiar with a number of doctrines that concern that relationship between copyright owners and their market. In the U.S. system, fair use is an important example which involves scrutiny of the damage to actual or potential markets. See 17 U.S.C. § 107 (2000).

50. WIPO Copyright Treaty, parties to treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 65, available at <http://wipo.int/treaties/en/ip/wct/index.html>.

51. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as revised at Paris on July 24, 1971 and amended in 1979, S. Treaty Doc. No. 99-27, 99th Cong., 2d Sess. 43 (1986) (hereinafter "Berne Convention"). See MIHALY FISCOR, THE LAW OF COPYRIGHT AND THE INTERNET 501 (2002). Parties to the WCT were entitled to incorporate the

extraterritorial reach of the communication right. As enacted into domestic Australian law, nonetheless, the communication right has an express extraterritorial reach. According to Australian law, “to the public means to the public within or *outside* Australia.” The official commentary on the legislation made clear that the inclusion of this definition means that “Australian copyright owners could control the communication from Australia of their material directed to overseas audiences.”<sup>52</sup> The Australian law on the communication right goes further than is required by the WCT in this aspect, and thus has the potential to be “exported” to—and, in effect, “imported” into—every nation in the world to which copyright protected material might be communicated without a license. Moreover, the communication right does not appear to require proof that the communication to users in foreign territories is *itself* infringing in the countries where the communication is received.<sup>53</sup>

There are some important limitations on the scope of the communication right as it is enacted in Australian copyright law. Consistent with the Agreed Statement in Article 8 of the WCT,<sup>54</sup> which carves out a safe harbor for the “mere provision of physical facilities for enabling or making a communication,”<sup>55</sup> the Australian

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treaty obligation into domestic law in their own way. The Australian act applies the communication right broadly “‘communicate’ means make available online or electronically transmit (whether over a path, or a combination of paths provided by a material substance or otherwise) a work or other subject matter, including a performance or live performance within the meaning of this Act.” Australian Copyright Act of 1968 s. 10 (Austl.). The accompanying WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 36 I.L.M. 76 has a more layered approach to the media to which the “communication” right is applied. See Agreed Statement Accompanying Article 15.

52. DIGITAL AGENDA COPYRIGHT AMENDMENTS: EXPOSURE DRAFT AND COMMENTARY, Copyright Amendment (Digital Agenda) Bill at [28] (Feb. 1999).

53. There are parallels in U.S. case law on the “predicate act” theory, which makes pecuniary relief available under U.S. copyright law for foreign infringements facilitated by the making of an unlicensed copy within the United States. In an early case recognizing this principle in the context of allegations of unlicensed exploitation of a copyright protected work in Canada, the Second Circuit imposed liability on the defendant in circumstances where the plaintiff had not established the content of the foreign law, observing “[t]he plaintiffs made no proof of foreign law, and we cannot say that the exhibition. . . abroad was a tort.” *Sheldon v. Metro-Goldwyn Pictures*, 106 F.2d 45, 52 (2d Cir. 1939), *aff’d on other grounds*, 309 U.S. 390 (1940).

54. WIPO Copyright Treaty, *supra* note 50. The text of the “Agreed Statement Concerning Article 8” provides in material part “It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention.”

55. The following passage from the *Kazaa* opinion usefully recounts the legislative history, and the relationship between the WCT and the Australian legislation, as it applies to “physical” facilities: “The original exposure draft of the Copyright Amendment (Digital

Copyright Act provides that a person, including an ISP, who provides facilities for making, or facilitating the making of, a communication is not taken to have authorized any infringement of copyright in a work “merely because another person uses the facilities so provided to do something the right to do which is included in the copyright.”<sup>56</sup> Additionally, the Australian Act appears to limit direct liability for unlicensed communication by defining the person making the communication as “the person responsible for determining the content of the communication.”<sup>57</sup> One cannot be held liable for communicating a work to the public merely by providing the facilities by which a communication is made; one must be responsible for determining the content of the communication. Because users generally determine the content of communications facilitated by P2P networks, there may be significant obstacles to imposing liability on those responsible for providing P2P products or services that directly communicate a work to the public. Here, the authorization concept once more becomes critical. As was noted above, the court identified factors that enabled it to hold that the *Kazaa* defendants did more than “merely” provide facilities because they did in fact *authorize* such communications.<sup>58</sup>

If we layer the territorially-confined “authorization” tort onto the extraterritorial “communication” concept, we see that Australian law might offer copyright owners a powerful legal mechanism capable of reaching many unlicensed foreign communications of copyright protected works. Assume that the users of P2P services are considered responsible for the content of the communication, for instance, by making copyright protected works available for downloading by others (works they have at some stage selected themselves by

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Agenda) Bill 1999, which was prepared in February 1999, contained a draft section 112C (ultimately section 112E) which provided [emphasis added], “A carrier or a carriage service provider is not taken to have authorized any infringement of a copyright in a cinematograph film, a sound recording, a television broadcast or a sound broadcast merely because he or she provides *physical* facilities used by a person to do something the right to do which is included in the copyright.” In subsequent versions of the Bill the word “physical” was omitted, as it was from the precursor to section 39B. The Explanatory Memorandum for a later version of the Copyright Amendment (Digital Agenda) Bill 1999 included the statement “The reference to “facilities” is intended to include physical facilities *and* the use of cellular satellite *and other technologies*. The legislative history of this provision (and its counterpart section, 39B) makes it quite clear that a conscious choice was made to omit the word ‘physical’ and not limit the operation of the section in the manner suggested by the Applicants.” See also *Kazaa*, [2005] FCA 1242 at [393].

56. Australian Copyright Act of 1968, § 39B.

57. *Id.* at § 22.

58. *Kazaa*, [2005] FCA 1242 at [399].

downloading them from other users): They are then primarily liable for all communications, domestic and foreign. But if a party is liable for authorizing those unlicensed communications, the indirect liability theory *also* has the potential to reach *both* communications within Australia *and* communications made to P2P users in foreign territories. Moreover, because the Anglo-Australian approach to localizing the authorization does not appear to require the act of authorization itself to have occurred within Australia, a firm operating outside of Australia may, in some circumstances, be found to have authorized communications that begin from Australia, even if the communications themselves are directed or made available to users outside of Australia. Put another way, the Australian regime seems to suggest that so long as there is a “communicator” located in Australia, Australian law can reach the conduct of a U.K. firm whose conduct can be characterized as “authorizing” infringing communications to the U.K. and every other country to which the communication is transmitted.<sup>59</sup>

Outside of Australia there are still further extraterritorial possibilities. In some jurisdictions, courts are willing to ascertain and apply foreign copyright laws. Some U.S. courts have suggested that trial courts should determine and apply foreign intellectual property laws.<sup>60</sup> The English Court of Appeal,<sup>61</sup> at least within the ambit of the (then) Brussels Convention, and probably further,<sup>62</sup> has indicated that foreign copyright laws are justiciable in domestic fora.<sup>63</sup> Suppose such a court is seized of a dispute in which application of Australian copyright law is appropriate and the allegations include unlicensed reproductions and distributions *in* Australia in addition to unlicensed communications *from* Australia.<sup>64</sup> A foreign court that is willing to

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59. Because the communication principle also includes “making available” a copyright work, it does not appear to be necessary for the work to reach anyone, so long as it is internationally accessible. However, at least in theory, remedies might be different where a work is actually downloaded by foreign users, as compared with mere “exposure” for download.

60. See, e.g., *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998).

61. *Pearce v. Ove Arup* [1999] 1 All E.R. 769 (Eng.).

62. The English Court of Appeal in *Pearce* considered an English Court’s subject matter jurisdiction over allegations of copyright infringement in the Netherlands first under the Brussels Convention, and then according to general common law principles, suggesting that the ruling has significance outside of the European Union. See *id.* at 770.

63. *Id.*

64. This assumes that the cause of action is not dismissed by the local forum applying *forum non conveniens* principles. However, for English courts the European Court of Justice has held that *forum non conveniens* is not available even where one of the nations is not a party to the Brussels Regulation. See *Owusu v. Jackson*, Case C-281/02, available at 2005 WL



apply Australian copyright law at all will need to consider whether it is appropriate to apply those aspects of Australian law that have extraterritorial reach, as determined by the Australian Parliament. This will involve the courts of one nation contending with the implications of another nation's express rebuttal of the premise that domestic legislation has no extraterritorial reach.

### III. EXPORTING *GROKSTER*

The foregoing discussion of the *Kazaa* case indicates that the localization of foreign infringements in domestic copyright statutes offers copyright owners some potentially powerful liability principles that might reach conduct in foreign territories.<sup>65</sup> While some of these liability theories, particularly those that reach communications *from* one nation that are to be received in other nations, may seem an affront to the traditional territoriality principle, so too is massive unlicensed distribution of copyright protected material by parties who are themselves indifferent to territorial boundaries. As *Kazaa* and *Grokster* indicate, for some legal actors, attempting to stop the flow of massive amounts of unlicensed distribution of copyright-protected material may prove to be more important than the niceties of copyright's territoriality principle.

The territorial scope of the inducement principle was not before the *Grokster* Court. Even so, it is worth observing the facts that were relevant to the test it articulated when dealing with significant amounts of foreign conduct. This brings to the foreground a number of questions that the *Grokster* Court avoided. For example, are all uses "promoted" by P2P services relevant to determining if the defendant induced copyright liability, including those that occur

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474200, which overturns *Re Harrods Buenos Aires Ltd.* [1992] Ch 72 (Eng.), in which the English Court of Appeal had adopted the opposite view.

65. Australia is not alone in its localization of communication of copyright protected material to foreign territories. See generally Daniel J. Gervais, *Transmissions of Music on the Internet: An Analysis of the Copyright Laws of Canada, France, Germany, Japan, the United Kingdom, and the United States*, 34 VAND. J. TRANSNAT'L L. 1363 (2001). The Canadian Supreme Court recently suggested that a "communication" of a digital file "in Canada" includes communications to and from Canada. *Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers*, [2004] S.C.R. 427, 455. The Canadian Court recognized that its rule created the potential for duplicative liability for cross-border transmissions, liability under Canadian law, and under the law of the place of receipt – but considered that resolution of this issue should be a matter of treaty negotiations. *Id.* at 462. *National Football League v. PrimeTime24 Joint Venture*, 211 F.3d 10 (2d Cir. 2000). The converse position also applies; U.S. copyright law is breached by unlicensed transmissions originating abroad that are received in the United States. See *Los Angeles News Serv. v. Conus Commc'ns Co.*, 969 F.Supp 579 (C.D. Cal. 1997).

abroad? Would it matter if many of the former “customers” of an illegal service for which a defendant sought to substitute were also located abroad? Would it be relevant if the advertisements that supported defendants’ business model were targeted only to U.S. consumers?

On the facts of *Grokster*, these issues may seem moot. Even if analysis of the factual matrix supporting the *Grokster* holding were confined to purely domestic activity, there would almost certainly be enough domestic infringing acts, in terms of the sheer volume of primary infringers and targeted advertising, to make concern with the foreign conduct largely, if not entirely, redundant. In the foreseeable future, however, purveyors of software tools facilitating the creation and maintenance of P2P networks may become more nimble, with services targeted more sharply at niche markets, both in terms of audience and content.<sup>66</sup> It is possible that numbers and geography may begin to have greater significance.

As this section explains, the doctrine on extraterritorial application of domestic intellectual property law is in a state of flux. This section first surveys the law on extraterritorial application of intellectual property rights. It then analyzes Justice Breyer’s concurring opinion in *Grokster*. In the light of the *Sony* decision, Justice Breyer would constrain the liability theories available for copyright proprietors, making for a more permissive environment for technological development. As I explain below, Justice Breyer’s approach may impact other nations, nations that see the balance between technological development and the rights of copyright owners differently. I call this “*de facto*” exporting of *Grokster*.

#### *A. De Jure Exporting of Intellectual Property Liability Theories*

Indirect infringement in cases such as *Grokster* and *Kazaa* is predicated on primary infringement by *others*. Many of those others will be located abroad.<sup>67</sup> To hold a defendant liable under U.S.

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66. See, e.g., NewsfromRussia.com, *Irish Software Designer to Create P2P Network Secured from Official Monitoring*, <http://newsfromrussia.com/science/2005/08/01/60884.html> (last visited Aug. 1, 2005) (reporting on announcement by software designer, Ian Clark, to create a new P2P network that would include only invited, trusted users). It is also possible that technology may re-impose territorial borders in the Internet context. See generally, JACK GOLDSMITH & TIM WU, WHO CONTROLS THE INTERNET? : ILLUSIONS OF A BORDERLESS World (2006).

67. “We do not presently have good cross-national data on file sharing.” William S. Bainbridge, *Privacy and Property on the Net: Research Questions*, 302 SCIENCE, 1686-87, (Dec. 5, 2003). Disinterested statistics that analyze unauthorized uses of P2P networks by nation are difficult to find. A 2005 “fact sheet” provided by IFPI reports rates of piracy in European

copyright law for these infringements requires application of U.S. copyright law to foreign conduct. The Supreme Court did not address the issue of legislative jurisdiction,<sup>68</sup> and we cannot assume that this silence signals approval of the application of the inducement theory to cases in which infringements occur beyond U.S. borders. However, there is a significant body of recent case law that has considered the territoriality principle in copyright law and other intellectual property contexts. This case law suggests that there is considerable potential within emerging doctrine to apply U.S. intellectual property laws to foreign conduct.

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jurisdictions at <http://www.ifpi.org/site-content/press/20050412c.html>. Zeropa.com reports that music download services that are apparently legitimate under Russian law sell files obtained through P2P networks at <http://www.zeropa.com/news/articles/auto/11232004b.php>. Zdnetasia.com has recently reported on arrests of P2P users in Japan at <http://www.zdnetasia.com/news/security/0,39044215,39159923,00.htm>.

68. Although this article concerns substantive issues, it is important to note that application of principles of personal jurisdiction often serve to "import" distant parties into the local jurisdiction. Personal jurisdiction issues were raised in the *Grokster* litigation in the District Court. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 243 F.Supp.2d 1073 (C.D. Cal. 2003). The U.S. District Court for the Southern District of California did not consider there to be a sufficient basis to exercise general jurisdiction. The reasoning was based on the continuous stream of the defendants' commercial contacts with the forum, including the conclusion of software and licensing contracts with millions of Californians, and its contacts with advertising vendors and in-state legal and publicity agents were considered insufficient to constitute the kind of "presence" required by general jurisdiction doctrine. *See, e.g., Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 413 (9th Cir. 1977). But the court found specific jurisdiction to be presumptively reasonable, based on the quantum of commercial contacts with the forum, evidenced by the two million Californian subscribers that had entered into limited licenses controlling use of the defendants' software. The court also reasoned that the "effects test" in *Calder v. Jones*, 465 U.S. 783 (1984), would have provided an alternative basis for personal jurisdiction. However, on this point the court distinguished between the plaintiff's contributory and vicarious infringement claims, reasoning that the requirements of the effects test were satisfied for the former but not the latter. Because vicarious liability, at least in the copyright context, does not require an intent to infringe or knowledge of the direct infringement (*A & M Records, Inc. v. Napster* 239 F.3d 1004, 1022-24 (9th Cir. 2001)), the effects test would not have been satisfied in *Grokster*. *See Grokster*, 243 F. Supp. 2d at 1090 (applying *Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316, 1321 (9th Cir. 1998), which requires: "(1) intentional actions (2) expressly aimed at the forum state (3) causing harm, the brunt of which is suffered-and which the defendant knows is likely to be suffered-in the forum state.") By contrast, the plaintiff's contributory liability theory included an intentional act combined with knowledge that Californian residents would be harmed, thus providing an alternative basis for personal jurisdiction based on effects within the forum. The court accepted that "many, if not most, music and video copyrights are owned by California-based companies." *Grokster*, 243 F. Supp. 2d at 1089.

### 1. Copyright

First, it is necessary to consider decisional law suggesting that there may be impediments to the application of U.S. copyright in cases where the primary infringers are located beyond the forum. In *Subafilms Ltd. v. MGM-Pathe Communications Co.*,<sup>69</sup> the Ninth Circuit held *en banc* that the “authorization” tort did not constrain authorization in the United States of actions in foreign territories, regardless of whether the acts would have constituted infringements if done within the United States. The Court of Appeals grounded its analysis of the international issue in the territoriality of domestic copyright law,<sup>70</sup> a concept that the Supreme Court had endorsed early in the twentieth century.<sup>71</sup> The corollary of the Ninth Circuit’s endorsement of the territoriality of copyright law is that the *lex protectionis* governs the primary infringement aspect of the authorization tort,<sup>72</sup> a principle that the Second Circuit has also endorsed.<sup>73</sup>

The Ninth Circuit did not rely solely on Supreme Court doctrine. It also acknowledged the connection between territoriality and the international copyright relations of the United States, reasoning that extraterritorial application of the U.S. Copyright Act would cut across the territorial premise of international copyright treaties.<sup>74</sup> It articulated that to accept that the U.S. Copyright Act could apply to foreign activity would “disrupt Congress’s efforts to secure a more stable international intellectual property regime.”<sup>75</sup> The court observed “[e]xtraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern.”<sup>76</sup> Here, the Ninth

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69. *Subafilms, Ltd. v. MGM-Pathe Commc’ns Co.*, 24 F.3d 1088 (9th Cir. 1994) (*en banc*).

70. *Subafilms*, 24 F.3d at 1095-99.

71. See *United Dictionary Co. v. G. & C. Merriam Co.*, 208 U.S. 260 (1908); *Ferris v. Frohman*, 223 U.S. 424 (1912).

72. For a meticulous exploration of the limits of the principle of *lex protectionis* in copyright law, see MIRELLE VON EECHOU, CHOICE OF LAW IN COPYRIGHT AND RELATED RIGHTS: ALTERNATIVES TO THE *LEX PROTECTIONIS* (2003).

73. *Itar-Tass Russian News Agency v. Russian Kurier*, 153 F.3d 82 (2d Cir. 1998).

74. *Subafilms*, 24 F.3d at 1097-98.

75. *Id.* at 1097.

76. *Id.* To the extent the Ninth Circuit’s observation that the national treatment principle “implicates a rule of territoriality,” and suggests that “national treatment” is, or dictates, a choice of law rule, it probably goes too far. *Id.* That said, it may be more accurate to suggest that territoriality is more logically consistent with the national treatment principle. National

Circuit's analysis reflected what Professor Paul Berman has recently described as "the idea that governments have an interest not only in helping in-state litigants win the particular litigation at issue, but a more important longer-term interest in being cooperative members of an international system and sharing in its reciprocal benefits and burdens."<sup>77</sup> As I have suggested elsewhere,<sup>78</sup> there is a further, and related, normative component to the respect for the territorial integrity of different nations' intellectual property policies: intellectual property forms a part of many domestic policy agendas. Extraterritorial application of intellectual property laws has the potential to override domestic policy choices that may be important to key aspects of domestic and social economic policy.<sup>79</sup>

If doctrine developed in the "authorization" context is applicable to secondary liability generally, this may lead to the conclusion that *Grokster's* inducement principle should not be applied where the primary infringements occurred outside the United States. Though the lines between various forms of domestic infringement may be blurry, a point recognized by the *Sony* Court,<sup>80</sup> geopolitical lines are not: the territoriality principle should preclude application of U.S. liability theories where the primary acts of infringement occur abroad.

The *Subafilms* approach is not universally endorsed, however.<sup>81</sup> Judge Wiseman of the U.S. District Court for the Middle District of

treatment provides that foreigners will be treated as well as nationals under each nation's domestic copyright regime. If a national of country X could secure relief for copyright infringement in country Y under the copyright laws of country X, which could then be enforced in country Y, the need for a national treatment principle would significantly abate.

77. Paul Schiff Berman, *Toward a Cosmopolitan Vision of Conflict of Laws: Redefining Governmental Interests in a Global Era*, 153 U. PA L. REV. 1819, 1822 (2005).

78. Graeme W. Austin, *Valuing "Domestic Self-Determination" in International Intellectual Property Jurisprudence*, 77 CHI.-KENT L. REV. 1155 (2002).

79. *Id.*

80. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 n. 17 (1984): "the lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn. . . ." quoting 480 F.Supp. 429, 457-58.

81. Phanesh Koneru, *The Right "to Authorize" in U.S. Copyright Law: Questions of Contributory Infringement And Extraterritoriality*, 37 IDEA: THE JOURNAL OF LAW AND TECHNOLOGY 87 (1996) (criticizing the 9th Circuit in *Subafilms* for inappropriately adopting the requirement in contributory infringement that there be an infringing primary act). Professor Timothy Holbrook argues that the Ninth Circuit misunderstood the nature of the authorization tort, and finds support for this position in a statement made by the *Sony* Court that suggests authorization tort and primary infringement to be on a par. Timothy Holbrook, *Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad*, 37 U.C. DAVIS L. REV. 701 (2004). The *Sony* Court observed "an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority of the copyright owner." *Sony*, 464 U.S. at 435 n. 17. Holbrook argues that here the Supreme Court "implicitly suggested that, contrary to

Tennessee made the following, well-known retort to *Subafilms*, reasoning that authorization does not require a domestic act of primary infringement:

[P]iracy has changed since the Barbary days. Today, the raider need not grab the bounty with his own hands; he need only transmit his go-ahead by wire or telefax to start the presses in a distant land. *Subafilms* ignores this economic reality, and the economic incentives underpinning the Copyright Clause designed to encourage creation of new works, and transforms infringement of the authorization right into a requirement of domestic presence by a primary infringer. Under this view, a phone call to Nebraska results in liability; the same phone call to France results in riches. In a global marketplace, it is literally a distinction without a difference.<sup>82</sup>

A district court in New Jersey adopted a similar approach, reasoning that Judge Wiseman's analysis was more sensitive to the "modern age of telefaxes, Internet communication, and electronic mail systems."<sup>83</sup> The New Jersey court saw the authorization tort as preventing infringement of copyright by an entity "merely directing its foreign agent to do its dirty work."<sup>84</sup> As Professor Holbrook has noted, these two district court cases possibly portend a circuit split on the territorial reach of the authorization tort.<sup>85</sup>

*Subafilms* is now over a decade old, and its analysis arose from a completely different context than P2P networks. It also predates the massive threats to copyright owners' interests posed by digitization and the Internet, as did the Supreme Court cases on which the Ninth Circuit drew. One can sense in the district courts' analysis some frustration about domestic copyright owners' vulnerability to foreign piracy that might be exacerbated by strict insistence on territoriality. Courts in the leading copyright circuits distinguish *Subafilms* where a

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*Subafilms*, authorization is an independent form of *direct* infringement." Holbrook, *Territoriality Waning*, 37 U.C. DAVIS L. REV. at 744 (emphasis added). Thus, "an act of authorization domestically is copyright infringement within the United States, and the location of the authorized act should be irrelevant to the inquiry." All the authorization tort requires, Holbrook concludes, is that the primary infringement would have been infringing had it been committed within the United States. *Id.* We should be careful, however, not to read too much into the analysis of the *Sony* Court that Professor Holbrook invokes. The Court's analysis was not directed to the issue before the Ninth Circuit in *Subafilms*, and did not consider what the content of the authorization tort might be, let alone the issue of its extraterritorial application.

82. *Curb v. MCA Records, Inc.*, 898 F. Supp. 586, 595 (M.D. Tenn. 1995).

83. *Expeditors Int'l of Washington, Inc. v. Direct Line Cargo Management Services, Inc.*, 995 F. Supp. 468, 477 (D.N.J. 1998).

84. *Id.*

85. Holbrook, *supra* note 81, at 745.

predicate act of infringement occurring within the United States facilitates infringement abroad.<sup>86</sup> Rightly or wrongly, the predicate act theory has the potential to be quite protective of domestic copyright owners' interests in foreign territories, even in cases in which liability under the copyright laws of the relevant foreign state(s) has not been established.<sup>87</sup> Moreover, because temporary digital storage is considered a legally cognizable copy in U.S. copyright law, the predicate act theory has the potential to catch a significant amount of foreign copying.<sup>88</sup> Because P2P networks are not geographically segregated, we might expect temporary copies of files to "pass through" local "nodes" quite often. If a liability theory can "catch" an unauthorized copy that occurs in the United States, then it would seem to be consistent with the predicate act theory for it too provides pecuniary relief for *all* the further foreign infringements that the "local" copy facilitates.

Without definitive guidance from the Supreme Court, lower courts' willingness to apply *Grokster* in cases that involve foreign conduct, and in which litigants have put the geographical scope of liability at issue, will likely depend on how rigidly future courts view the territoriality principle. Arguably, application of the predicate act theory will very often be an affront to a strict understanding of the territorial premise of the international copyright treaty regime, as much as extraterritorial application of the "authorization" tort.<sup>89</sup> Further extension of the theory may be even more so.<sup>90</sup> With this in mind, one should also question whether it is always contrary to the spirit of the Berne Convention to adapt liability theories to stem the tide of massive copyright infringement over international communications networks. However, before considering that question, it may be helpful first to consider the rapidly evolving doctrine on the territorial reach of U.S. patent and trademark laws. In these contexts also, the territoriality principle is becoming increasingly fluid.

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86. See, e.g., *Los Angeles News Serv. v. Reuters Television Intern., Ltd.*, 149 F.3d 987 (9th Cir. 2005).

87. *Sheldon v. Metro-Goldwyn Pictures*, 106 F.2d 45 (2d Cir. 1939).

88. Jane C. Ginsburg, *The Private International Law of Copyright*, 273 RECEUIL DES COURS 240, 345 (1998) [hereinafter, Ginsburg, *Private International Law of Copyright*].

89. See Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 Colum.-VLA J. L. & ARTS 1 (1999) [hereinafter, Austin, *Domestic Laws*].

90. Ginsburg, *supra* note 88, at 347.

## 2. Patents

The *Grokster* Court's adoption of inducement liability from patent law makes it appropriate to examine the experience in cross-border application of principles of patent liability to assist in understanding the potential for extraterritorial application of the *Grokster* theory. A key difference between copyright and patent liability is that the patent statute is generally explicit about its application to foreign conduct, whereas the Copyright Act is largely silent on the issue. Patents may be the most "explicitly territorial"<sup>91</sup> of intellectual property rights, but Congress has also made a number of important amendments delineating the extraterritorial scope of statutory infringement principles.<sup>92</sup> For example, in response<sup>93</sup> to the Supreme Court's *DeepSouth Packing Co. v. Laitram Corp.* decision, Congress enacted § 271(f) of the Patent Act, which imposes liability for foreign assembly of components of patented inventions where the defendant has supplied or caused to be supplied in or from the United States all or a substantial portion of the components of an invention.<sup>94</sup> This subsection recently prompted the Federal Circuit to observe that "Congress obviously intended the statute to have an extraterritorial effect."<sup>95</sup>

As Professor Holbrook has discussed exhaustively, the Patent Act specifies several aspects of its territorial reach in detail, but it is also silent on the territorial reach of some of the other specific infringements delineated in § 271, a number of which litigants may

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91. Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 605 (1997). The territorial scope of U.S. patent laws has been affirmed in a number of Supreme Court decisions. See *Boesch v. Graff*, 133 U.S. 697 (1890) (German prior use provisions no defense to infringement of U.S. patent rights); *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915) (foreign sales of patented product do not infringe U.S. patent rights); *DeepSouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972) (foreign assembly of domestically manufactured components of patented product did not infringe U.S. patent rights). The strict approach to territoriality of patent law was also reflected in the traditional reluctance of U.S. domestic courts to hear claims involving allegations of infringements of foreign patent rights. See *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368 (Fed. Cir. 1994) (holding that the court had neither supplemental nor original jurisdiction over infringement of a Japanese patent).

92. The Patent Act contains prohibitions against importation of patented inventions. See, e.g., 35 U.S.C. § 271(c). Importation is, however, generally a matter of domestic territoriality, and is primarily concerned with what occurs within the United States.

93. See John R. Thomas, *New Challenges for the Law of Patents*, INTERNATIONAL INTELLECTUAL PROPERTY AND THE COMMON LAW WORLD 165, 180 (Charles E. F. Rickett & Graeme W. Austin eds., 2000).

94. *DeepSouth Packing*, 406 U.S. 518 (1972).

95. *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1371 (Fed. Cir. 2005).



invoke in cases involving foreign infringements.<sup>96</sup> Most significant for present purposes is the congressional silence on the territorial reach of the section codifying the tort of “inducement” of patent infringement.<sup>97</sup> It provides simply “Whoever actively induces infringement of a patent shall be liable as an infringer.”<sup>98</sup> Moreover, § 271 creates liability for “offering to sell” a patented invention, but does not state that the contemplated sale must occur within the United States. Professor Holbrook suggested that liability for offers to sell should not be confined within territorial confines, and that a flexible approach should be adopted that allows liability to be imposed in cases where the contemplated sale occurs abroad.<sup>99</sup>

The Federal Circuit has recently seemed quite willing to apply the U.S. Patent Act in ways that expand its reach into foreign territories. In *AT&T v. Microsoft*, in the course of a patent infringement action brought by AT&T, Microsoft sought to exclude evidence of alleged liability under § 271(f) arising out of foreign sales of products whose components AT&T claimed included copies of its patented software.<sup>100</sup> Microsoft argued that the prohibition in § 271(f) against foreign assembly of components supplied from the United States did not apply where one copy of a patented software program was supplied to foreign manufactures, even if the supply facilitated the making of further copies. Microsoft claimed that the section requires the individual components themselves to be supplied

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96. Holbrook, *supra* note 81, at 723.

97. In late August of 2005, in *MEMC v. Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, No. 04-1396-1513, slip op. at 17 (Fed. Cir. Aug. 22, 2005), the Federal Circuit declined to consider the issue of the extraterritorial reach of inducement of patent infringement.

98. 35 U.S.C. § 271(b) (2000).

99. Holbrook, *supra* note 81, at 750.

100. *AT&T Corp.*, 414 F.3d 1366. Another recent case in which the Federal Circuit has adopted (somewhat equivocally) an expansive approach to territoriality is *NTP, Inc. v. Research in Motion, Ltd.*, 392 F.3d 1336 (Fed. Cir. 2005) *opinion withdrawn and replaced by*, 418 F.3d 1282 (Fed. Cir. 2005), *cert. denied* 126 S. Ct. 1174 (2006). In its initial opinion, the Federal Circuit held that U.S. patent law applied to an allegation of infringement under 35 U.S.C. § 271(a) where “control and beneficial use” of a patented combination occurs within the United States, even where a component of that combination is physically located abroad. Rethinking its original analysis, the court in a revised opinion held that a process cannot be used within the United States, as is required by § 271(a), unless each step of the process is performed within this country. Nevertheless, the court confirmed that, with respect to the system claim, use of an invention occurs where the system as a whole is put into place, and that jurisdiction was proper because “use of the communication system as a whole occur[ed] in the United States.” 418 F.3d at 1317.

from the United States.<sup>101</sup> Declining to permit Microsoft to exploit this apparent loophole, the Federal Circuit rejected this argument, reasoning that to hold otherwise would thwart the remedial purpose of § 271(f), which was to provide for more robust protections for U.S. patent holders in the global context.<sup>102</sup>

Where software is a major component of the invention, the approach of the Federal Circuit has significant potential to cut across foreign patent regimes and policies, perhaps even more than the predicate act doctrine in copyright law. Under § 271(f), where the foreign creation of software components is facilitated by the supply of an unauthorized domestic copy of the software program, the Federal Circuit's approach in *AT&T* may achieve substantially the same outcome.<sup>103</sup> However, there is probably a greater international consensus that computer programs are to be protected under copyright law than exists in the patent context.<sup>104</sup> Thus, the predicate act theory, at least for literal copying of computer programs, may be expected to generate fewer genuine conflicts between different domestic regimes due to its indifference to the content of foreign laws. Within the scope of § 271(f), the Federal Circuit has put the extraterritorial reach of patent rights, the "most explicitly territorial" of intellectual property rights, on a foundation that is at least as secure, if not more so, as the doctrine providing for extraterritorial application of U.S. copyright law.<sup>105</sup>

The majority in *AT&T* was apparently unconcerned by the prospect of tension between the U.S. and foreign patent regimes.

101. *AT&T Corp.*, 414 F.3d at 1369. In *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005), the Federal Circuit a few months earlier confirmed that software can be a "component" of an invention, for the purposes of § 271(f).

102. *Id.* at 1371. As the Federal Circuit noted, by overturning *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), § 271(f) was intended to ensure that defendants would not escape liability for manufacturing components of patented inventions in the United States, and then shipping them abroad. In effect, § 271(f) ensures that the scope of a domestic patent includes control over domestic manufacture of the components of an invention intended for foreign assembly and sale. With *AT&T v. Microsoft*, 414 F.3d 1366, the Federal Circuit appears to expand on this policy and now allows § 271(f) to control foreign assembly in some circumstances, even where no domestic manufacture is needed.

103. Although patent damages may in some circumstances be higher. 35 U.S.C. § 284 (providing for the court to award three times the compensatory damages sum).

104. The TRIPs Agreement creates an international obligation to provide copyright protection for computer programs. See TRIPs Agreement, art. 10 (requiring members of the World Trade Organization protect software as literary works under the Berne Convention).

105. Between the Ninth and Second Circuits, there exists disagreement on the kind and extent of pecuniary relief that can be provided to copyright plaintiffs. Compare *Update Art, Inc. v. Modiin Publishing, Ltd.*, 843 F.2d 67 (2d Cir. 1988) with *Los Angeles News Service v. Reuters Television Int'l Ltd.*, 340 F.3d 926 (9th Cir. 2003).

Inscrutably, the majority observed that "obtaining foreign patents would surely alleviate some avoidance of American law," but confirmed that the court "must construe our statute irrespective of the existence or nonexistence of foreign patents."<sup>106</sup> The majority's indifference with respect to the international arena provoked a stern dissent from Judge Rader,<sup>107</sup> who considered that the majority had wrongly conflated the distinct acts of "supplying" and "copying."<sup>108</sup> On the international issue, Judge Rader reasoned, "Thus, this Court provides extraterritorial expansion of U.S. law by punishing under U.S. law 'copying' that occurs abroad. While copying in Dusseldorf or Tokyo may indeed constitute infringement, that infringement must find its remedy under German or Japanese law."<sup>109</sup>

### 3. Trademarks

Of the major intellectual property rights, trademark rights have long been the most susceptible to extraterritorial application.<sup>110</sup> The 1952 Supreme Court decision in *Steele v. Bulova* confirmed that the Lanham Act can apply to trademark infringements occurring in foreign territories,<sup>111</sup> in a case involving the a U.S. resident defendant's marketing of "Bulova" branded watches in Mexico. The defendant had been the first to register the mark in Mexico, but by the date of the Supreme Court's decision, that registration had been annulled in separate Mexican judicial proceedings. Arguably, this meant that the extraterritorial application of the Lanham Act presented less of an affront to the foreign trademark laws and the decisions of the foreign trademark officials who had registered the defendant's trademark. The Fifth Circuit, however, would have allowed the case to proceed, even where imposition of liability under U.S. trademark law could have conflicted with rights granted by a

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106. *AT&T Corp.*, 414 F.3d at 1370 n.2.

107. *Id.* at 1372. There was an opportunity for Judge Rader to address the limits of the territorial reach of § 271(f) in *Eolas Technologies Inc. v. Microsoft Corp.* 399 F.3d 1325 (Fed. Cir. 2005), which was decided by the Federal Circuit earlier in 2005. Though Judge Rader authored the earlier opinion, he did not explore the extraterritoriality issues implicated by *Eolas Technologies*. See *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338-40 (Fed. Cir. 2005).

108. For a case appearing to segregate supply and copying in the international copyright context, see *Psihoyos v. Liberation Inc.*, No. 96 Civ. 3609 (LMM), 1997 U.S. Dist. LEXIS 5777 (S.D.N.Y. Apr. 29, 1997).

109. *AT&T Corp.*, 414 F.3d at 1373.

110. See Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT'L L. 505, 527 (1997).

111. *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

foreign sovereign.<sup>112</sup> The Fifth Circuit would apparently not have accepted Judge Rader's analysis in the patent context in *AT&T*, and appeared largely unconcerned with whether the "infringement must find its remedy" under Mexican law.

Other circuits have varied responses to the application of the Lanham Act in cases of alleged infringement of trademark rights in foreign territories. In *Vanity Fair Mills v. T. Eaton Co.*,<sup>113</sup> the Second Circuit emphasized that before the Lanham Act applies to infringements in foreign territories, there must be a substantial effect on U.S. commerce the defendant should be a U.S. citizen and there should be consideration of the degree of conflict with foreign laws.<sup>114</sup> The Second Circuit's test in *Vanity Fair* has been diluted in other circuits, a trend that continues in very recent case law.<sup>115</sup> The Ninth Circuit requires only that there be "some" effect on United States commerce, rather than the more demanding "substantial" effects, and generally applies a more flexible "rule of reason" approach,<sup>116</sup> which it borrowed from cases concerned with the extraterritorial application of U.S. antitrust laws.<sup>117</sup> The First Circuit recently declined to follow the Second Circuit, and has also rejected the Ninth Circuit's "some

112. *Bulova Watch Co. v. Steele*, 194 F.2d 567 (5th Cir. 1952).

113. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956).

114. While the Second Circuit has subsequently counseled against an "unrefined" application of these factors, (*See Sterling Drug v. Bayer AG*, 14 F.3d 733, 746 (2d Cir. 1994)), its "factored" approach is generally consistent with the view that courts should be cautious about applying U.S. trademark law to foreign conduct.

115. There is also evidence of flexibility in the opposite direction. Courts have been willing to provide relief under the Lanham Act to a foreign firm based on very little commercial activity within the United States. In *International Bancorp, LLC v. Society des Bains de Mer*, 329 F.3d 359 (4th Cir. 2003), *cert. denied*, 124 S. Ct. 1052 (2004), the Fourth Circuit granted relief to a foreign owner of the "Casino Monte Carlo" mark against a defendant who had registered various domain names for websites offering gambling services that incorporated the mark or variations of it. The plaintiff had registered the mark in Monaco, but not in the United States, and it did not carry on gambling services within the United States. However, the plaintiff operated a travel bureau in New York. Based on these facts, and the defendant's deliberate copying of the plaintiff's mark, the Fourth Circuit held, over a strenuous dissent by Judge Motz, that the Lanham Act protected the plaintiff's rights in the Monte Carlo mark.

116. *See Wells Fargo v. Wells Fargo Express Co.*, 556 F.2d 406 428-29 (9th Cir. 1977); *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393 (9th Cir. 1985).

117. *See, e.g., Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass'n*, 549 F.2d 597 (9th Cir. 1976). In *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993), the Supreme Court adopted a more restrictive approach to balancing where defendants exhibited an express purpose to affect U.S. commerce and the foreign conduct was not required by the foreign sovereign. On the issue of conflict with foreign trademark regimes, the Ninth Circuit now considers a range of factors, including the degree of conflict with foreign laws or policies, the nationalities of the parties and the location of their principal places of business, the significance of the harm to U.S. commerce relative to foreign harms, and the relative importance of the trademark violations in the United States.

effects” test.<sup>118</sup> Under the First Circuit’s analysis, international comity can be a prudential concern, but it cannot delimit the scope of United States trademark law.<sup>119</sup> In general, this flexibility has increased the opportunities for U.S. trademark law to be applied to conduct occurring in foreign territories.<sup>120</sup>

In sum, in all three major branches of intellectual property the concept of territoriality is becoming increasingly flexible. In copyright, *Subafilms* has not won unwavering endorsement within other circuits, and there are other doctrinal bases to expand the extraterritorial reach of all of the major branches of U.S. intellectual property law. At the doctrinal level, it cannot now be claimed that the territoriality principle stands as a firm bulwark against the extraterritorial application of U.S. intellectual property laws. Moreover, in other areas of commercial law there are a number of other theories that might support more flexible approaches to territoriality. United States law might apply, for instance where the foreign conduct has a sufficiently significant connection with the United States,<sup>121</sup> where there are sufficiently significant effects on United States commerce,<sup>122</sup> and where the balancing of relevant “factors,” including foreign sovereignty interests, comes down in

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118. In *McBee v. Delica*, 417 F.3d 107 (2005), the First Circuit reasoned that once a substantial effect on U.S. commerce is established, that is sufficient to show that the United States has a “reasonably strong interest” in the litigation, and it is not necessary to consider issues of international comity in order to establish whether the jurisdiction of the Lanham Act reaches foreign conduct.

119. *Id.* at 111. (On the facts, the court held that no liability existed for unauthorized use of a U.S.-based musician’s name for a clothing line marketed almost exclusively in Japan.)

120. The Ninth Circuit has also evinced flexibility in the application of the Lanham Act to trademark rights first established abroad where the trademark is considered “famous” in the United States. In *Grupo Gigante v. Dallo*, 391 F.3d 1088 (9th Cir. 2004), in the first federal court of appeals decision to recognize the “famous marks” doctrine, the Ninth Circuit held that a foreign firm could establish U.S. trademark rights, and priority against a mark used in commerce within the United States, based on foreign use in commerce, if a “substantial percentage of consumers in the relevant American market is familiar with the foreign mark.” *Id.* at 1098. *Grupo Gigante* does not indicate a complete rejection of the territoriality principle in trademark law. The “substantial percentage” standard is higher than would be required to establish priority in a purely domestic dispute, which the Ninth Circuit suggested was necessary to maintain the integrity of the territoriality principle. Nevertheless, *Grupo Gigante* does indicate that courts regard the territoriality of trademarks as a flexible principle, one they can adapt to new demands of international commerce.

121. See, e.g., *Psiemenos v. E.F. Hutton & Co.*, 722 F.2d 1041, 1045 (2d Cir. 1983) (“The conduct test . . . center[s] its inquiry on . . . the nature of conduct within the United States as it relates to carrying out the alleged fraudulent scheme.”).

122. See *United States v. Aluminum Co. of America (Alcoa)*, 148 F.2d 416 (2d Cir. 1945).

favor of extraterritorial application of U.S. law,<sup>123</sup> and the identification by the fact finder of an “express purpose” by the defendant to affect U.S. commerce.<sup>124</sup>

The cases discussed in this section all involve issues of “*de jure*” applications of U.S. intellectual property law, applications that directly confront the territoriality of domestic laws. In the networked environment, however, domestic laws do not necessarily have to be deliberately applied to foreign conduct to have effects in other jurisdictions. Justice Breyer’s concurring opinion in *Grokster*, which is discussed in the following section, helps illustrate this point.

### B. *De Facto Export of Liability Theories*

Justice Breyer, and the justices who joined his opinion, Justices O’Connor and Stevens, would have upheld the granting of summary judgment based on the *Sony* test in favor of the *Grokster* defendants. As is well known, *Sony* provides a “safe harbor” for those who, without more, market products that are capable of uses that infringe copyrights as well as substantial non-infringing uses. Justice Breyer and Justice Ginsburg, who authored the other concurring opinion, disagreed as to the evidence required to establish whether a product complied with the *Sony* standard for purposes of summary judgment. They also disagreed about how to characterize the volume of non-infringing uses that the *Sony* safe harbor requires, a question that the *Sony* Court did not directly address. Justice Breyer suggested that a product would fall outside of the *Sony* standard if it “will be used almost exclusively to infringe copyrights.”<sup>125</sup> Justice Ginsburg and the two justices who joined her opinion, the Chief Justice and Justice Kennedy, cited cases indicating that lower courts have required “substantial” and “predominant” non-infringing uses to enable a defendant to qualify.<sup>126</sup> On this view, the relative amounts of infringing and non-infringing conduct may be more important for the application of the *Sony* standard.

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123. *Timberlane Lumber Co. v. Bank of America N.T.*, 549 F.2d 597 (9th Cir. 1976). As was discussed *supra* note 117, the Ninth Circuit has continued to adopt this test, notwithstanding the more restrictive approach to “balancing” delineated in *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993).

124. *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993). *But compare* *F. Hoffman-LaRoche, Ltd. v. Empagran, S.A.*, 542 U.S. 155 (2004) (declining to apply U.S. antitrust law to activity in foreign territories).

125. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

126. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2791 (2005).

Justice Breyer's opinion emphasizes the "balancing" implicit in the *Sony* test, between facilitating the development of new technology and providing meaningful protection of the rights of copyright owner's rights. He argued that the *Sony* standard "seeks to protect not only the Groksters of this world. . .but the development of technology more generally."<sup>127</sup> He concluded that if there is a choice between protecting copyrights and facilitating technological development, the law "leans in favor of protecting technology."<sup>128</sup> In support of this conclusion, Justice Breyer pointed to the ability to bring copyright infringement actions against individual infringers, and technological tools—such as digital watermarking and encryption—that copyright owners can use to prevent further illicit copying.

Others will debate whether the balance struck in Justice Breyer's analysis between technology and copyright is sensible, and whether it finds support in U.S. copyright law.<sup>129</sup> But if we consider this reasoning in light of international relationships between different nations' copyright laws, this reasoning betrays both an *insular* conception of the problems of cross-border infringement of digital material, and a *unilateralist* imposition on other jurisdictions of a localized vision of the appropriate balance between technological development and copyright protection. Most significantly, Justice Breyer's analysis leaves little room for the possibility that other nations might see the balance differently. Given the ease with which digital files cross international borders and can interfere with foreign markets for copyright protected materials, perhaps one unforeseen corollary of "technology-friendly" policies developed in the U.S. may be their "export" into foreign copyright systems, accompanied by the risk of upsetting whatever balance other nations' copyright regimes have established. Different nations and regions are in the process of developing legal and economic policies to respond to the problem of P2P networks, policies that will be formulated against the fundamental question Justice Breyer identified of whether "gains on the copyright swings would exceed the losses on the technology roundabouts."<sup>130</sup> It is not clear that all, or even most, would resolve

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127. *Id.* at 2784.

128. *Id.* at 2790.

129. See Jane C. Ginsburg, *Nouvelles des Etats-Unis: Responsabilité pour complicité de contrefaçon. La décision de la Cour Suprême du 27 juin 2005 dans l'affaire MGM v. Grokster*, 11 Auteurs & Médias 290 (2005) (suggesting that Justice Breyer's assertion that copyright law favors technology is warranted by neither the Copyright Act of 1976 nor the Copyright Clause in the federal Constitution).

130. *Grokster*, 125 S. Ct. at 2793.

the uncertainties by adopting a policy that “leans in favor of protecting technology.”<sup>131</sup> Some might favor protecting copyright more.<sup>132</sup>

Justice Breyer’s analysis betrays a conventional understanding of the role of the author in copyright law. Most obviously, his analysis does not focus on authors at all;<sup>133</sup> his balancing analysis pitches the developers of technology against the revenue interests of copyright *owners*. And, as between copyright owners and those who develop new technologies “in the garage, the dorm room, the corporate lab, or the boardroom,”<sup>134</sup> copyright owners are to take second place. By imposing the costs of technological self-help on copyright owners, risks entrenching traditional relationships between individual authors and publishers. Those who seek to protect copyrights will likely be forced to use ever stronger technological protections against P2P products and services developed in the nations’ board- and dorm-rooms, and authors may be driven back into relationships with firms that can provide those kinds of services. Because few individual authors are likely to have the required technological expertise, some relationships between authors and those purveying technological protection services are likely to endure.<sup>135</sup> But the doctrine developed by Justice Breyer would intensify the need for authors to seek out firms providing such services and enter into licensing arrangements with them, which may make it even more difficult for authors to independently market their works independently. Justice Breyer’s approach also risks exacerbating the problem of the development of a technological arms race, forcing authors to be increasingly vigilant

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131. *Id.*

132. Critiquing this point, Professor Peter Yu has suggested that Justice Breyer’s approach, which would allow for the free(er) circulation of digital copies of copyright protected works in foreign territories, may be beneficial to many foreign nations in which the “balance of payment” for entertainment products favors the United States. Peter Yu, Remarks at the Santa Clara University Law School Conference on Secondary Liability in Intellectual Property Law (Oct. 7, 2005). That said, however, the development of international intellectual property policy should also take into account the ability of foreign markets for intellectual property to develop. In particular, musical works for which production costs are low, relative to other types of intellectual property products, the availability of free foreign works may be particularly detrimental to the development and flourishing of domestic markets, which, in turn, may lead to more favorable balances of trade. See further Graham Gori, *In Mexico Pirated Music Outsell the Legal Kind*, N.Y. TIMES, Apr. 1, 2002, at C5 (discussing the effects on domestic music markets of pirated music).

133. I am grateful to Professor Jane Ginsburg for this observation.

134. *Grokster*, 125 S. Ct. at 2793.

135. Yu, *supra* note 132, (expressing skepticism about authors’ ability to develop technological marketing platforms for themselves).



about wrapping the works they market in ever stronger technological protections.<sup>136</sup>

Justice Breyer's opinion underscores the problem that a liability standard that favors technological development over the rights of copyright owners risks *de facto* export of these domestic policies.<sup>137</sup> That is, if the *Sony* "safe harbor" is capacious, we could expect more copyright protected works to be "shared" without compensating copyright owners. Furthermore, we could also expect those copies to circulate in foreign jurisdictions, including those that adopt more copyright-protective policies, or which, for example, are more concerned with ensuring an author's ability to forge more direct relationships with the public, without the need to search for firms that market the highest-end technological protections.

Justice Breyer's policy analysis is insular, as it concerns only the appropriate balance for the United States at this particular stage of technological development. Furthermore, the analysis is unilateral because it risks imposing its policy balance on the rest of the world and conflicts with the dominant international consensus that is reflected in the Berne Convention and other public international law instruments: that domestic legal systems are to provide meaningful protection of copyrights. Justice Breyer provides no indication in his opinion that the *Sony* balance was an appropriate policy choice for any nation other than the United States, but neither does he identify what the international effects of such a policy balance might be.

#### IV. TOWARD A PRINCIPLED DEPARTURE FROM TERRITORIALITY IN THE P2P CONTEXT

Equally of course, *de jure* application of domestic copyright law to conduct in foreign territories adopts a unilateral approach to international copyright relations. For example, the Australian approach to unlicensed communication of copyright protection works cuts across the territoriality. In addition, if the liability standard articulated in *Grokster* is indifferent to the place of the primary

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136. The recent announcement of the formation of "Motion Picture Laboratories," a non-profit consortium devoted to studying and developing technological measures to thwart on-line piracy of motion pictures provides a small insight into the money involved. Funded by major motion picture studios, it will have a budget of \$30 million for the first two years of its operation. David M. Halbfinger, *Hollywood Studios Unite in Piracy Battle*, N.Y. TIMES, Sept. 19, 2005, at C5.

137. See generally Pamela Samuelson, *Intellectual Property Arbitrage: How Foreign Rules Can Affect Domestic Protections*, 71 U. CHI. L. REV. 223 (2004) (discussing how low protection rules in one jurisdiction can undermine the force of higher protections in other jurisdictions).

infringement, it would also seem to have the potential to create significant tension with the basic territorial premise. A strict territorialist might insist that analysis of the *Grokster* liability standard, and the conditions for its application, should take into account the location of the various actions constituting infringement, both direct and indirect infringement.

Under this analysis, it *should* matter where the primary acts of infringement take place, where the advertising touting the infringing uses is directed, and most importantly, whether the direct acts of infringement are unlawful in the place where the users of the P2P products and services are located. These issues may also be relevant for the *Sony* safe harbor, depending on which version applies:<sup>138</sup> if numbers of infringing uses as compared with non-infringing uses are critical to a finding of substantial non-infringing uses, it could matter where the users of the P2P products and services are located.

#### *A. Contesting Territoriality in the P2P Context*

Cross-border copyright issues involving P2P products and services put new pressure on the territoriality principle, a principle that the survey above suggests is rendered increasingly contestable in U.S. intellectual property jurisprudence. It has long been recognized that the territoriality principle was put under unprecedented pressures by the Internet, but the kinds of liability theories that are being developed in the P2P context create new difficulties that do not simply arise from the increased international availability of infringing copyright protected works. The *Grokster* and *Kazaa* cases sublimate the international issues that have provoked searching analysis by U.S. courts in other transnational intellectual property cases,<sup>139</sup> and in other commercial contexts in which U.S. law has applied to foreign conduct.<sup>140</sup>

Liability for direct infringement of copyright is based on a relationship between the indirect and the direct defendants, a relationship that is now inherently international in character. Indirect liability, whether based on authorization or inducement, is founded on construction of the defendants' mental state with respect to both their

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138. See *supra* Part III.

139. See *supra* Part III.A.

140. In other contexts of U.S. jurisprudence there is a long pedigree of case law focusing sharply on the bases and justifications for the extraterritorial reach of U.S. law, most notably in the antitrust context, but also in cases involving foreign securities fraud. See generally Buxbaum, *supra* note 14.

own actions in the development of business plans, advertising strategies, and the like, as well as with respect to the actions of primary infringers located everywhere the Internet can reach. Where the liability theory itself depends on defendants' communication of signals, express or implied, to P2P users everywhere, strict adherence to the territoriality principle seems artificial. If domestic courts really need to concern themselves with exactly where the primary acts of infringement occurred (or are likely to occur) the territoriality principle might impose significant impediments to a viable domestic copyright scheme that can respond to massive amounts of copyright infringement facilitated by technologies that link primary infringers in every nation where there is Internet access. *Grokster* and *Kazaa* present the antithesis of the kind of fact pattern that preoccupied the Supreme Court recently in *F. Hoffmann LaRoche v. Empagran*, a case where plaintiffs urged the Court to mandate application of U.S. antitrust law to foreign conduct.<sup>141</sup> The case was premised on an assumption that the commercial activity in the relevant markets was independent of the effects on United States commerce.<sup>142</sup> In contrast, it is hard to imagine a case in which domestic and foreign effects are more intertwined than cases involving P2P products and services in which no geographical or other filtering devices have been applied by the designers.

Professor Holbrook suggested that the territorial view of intellectual property "seem[s] ever more antiquated with every passing year."<sup>143</sup> Building on work by Professor Graeme Dinwoodie, he proposed a substitute for the territoriality principle that would have judges in individual cases developing substantive norms in individual cases that meld public international policies with courts' perception of the relevant domestic intellectual property policies of the nations involved in the litigation.<sup>144</sup> Under this approach, substantive outcomes might not resemble any that might be dictated by the domestic laws that could be applied under conventional private international law principles. Dinwoodie and Holbrook have

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141. *F. Hoffman-LaRoche, Ltd. v. Empagran, S.A.*, 542 U.S. 155 (2004), applying the Foreign Trade Antitrust Improvements Act of 1982. 15 U.S.C. § 6(a).

142. The D.C. Circuit confirmed this assumption on remand. *F. Hoffman-LaRoche, Ltd. v. Empagran, S.A.*, 417 F.3d 1267 (D.C. Cir. 2005) (holding that, for the purpose of 15 U.S.C. § 6(a), the foreign conduct was not sufficiently connected with the effects on the U.S. market caused by the defendants' conduct).

143. Holbrook, *supra* note 81, at 758.

144. Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469 (2000).

acknowledged that their approach would initially create considerable uncertainty, at least for a time, while courts in major intellectual property jurisdictions more fully develop adequate principles and tests.<sup>145</sup> Elsewhere, I have questioned whether this is an appropriate judicial task, and whether it is really feasible to identify *intellectual property* policies divorced from broader societal concerns in diverse areas such as technological development, education and literacy, agriculture, and so on.<sup>146</sup> Moreover, as Dinwoodie and Holbrook acknowledge, the principles that might be applied by courts adopting the substantive law approach to conflict of laws questions might resemble neither the substantive copyright laws of the domestic nations involved, *nor* any public international law principles.<sup>147</sup> To have judges override both domestic and international laws is extremely difficult to justify. I do believe, however, that it is important to consider the principles that might inform the development of alternatives to territoriality, particularly in a technological environment where the territoriality principle is increasingly in flux, and where insisting on its integrity in all contexts seems increasingly unreal.

Other scholars have advanced alternatives to territoriality, but the reasons offered in support of their adoption often seem thin. For example, it is true that the EU Satellite Directive adopts the law of the place of upload as the governing law for satellite transmissions, but this provides little normative basis for adoption of this approach in either broader geopolitical contexts or for different kinds of technologies.<sup>148</sup> Similarly, some scholars have suggested adopting a “cascade” approach to cross-border infringement, positing a number of different laws that might be adopted if the initial choices are infirm to enforce the copyright.<sup>149</sup> However, a significant problem with cascade approaches is that, without more, they can appear to be motivated primarily by enforcement. Cascade approaches typically do not engage with the risks of overriding the social policy choices that

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145. Holbrook, *supra* note 81, at 757; Dinwoodie, *supra* note 144, at 480.

146. Austin, *supra* note 78, at 1190.

147. Holbrook, *supra* note 81, at 758; Dinwoodie, *supra* note 144, at 554.

148. Council Directive 93/83/EEC of Sept. 27, 1993, O.J.E.C. L 248/15, preamble ¶ 14, art. 1.2(b) (law of the country of uplink applies to determine liability for unauthorized public performance by means of satellite transmissions). See Ginsburg, *Private International Law of Copyright*, *supra* note 88, at 325-26.

149. See generally Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 MICH. J. INT'L L. 799 (1994) (discussing a variety of different approaches to choice of law for copyright infringement).

are reflected in different nations' intellectual property laws, in the event that the chosen law is not also the *lex protectionis*.

P2P products and services distill a paradox: practical steps to enforce the rights of copyright owners under domestic law will almost inevitably lead to application in foreign territories of the applicable law, something that is most pertinently demonstrated by the *silence* of both the *Grokster* and the *Kazaa* courts on the international reach of their holdings. On the other hand, as the discussion above of Justice Breyer's *Grokster* concurrence attempts to demonstrate, under-enforcement of copyright is very likely to have significant effects on other nations' copyright regimes. Faced with this paradox, the best we can probably do is to work toward identifying common values that may assist in guiding tribunals and legislatures that must contend with the interrelationship between different legal systems in the international copyright context.<sup>150</sup>

As the 2000 amendments to the Australian Copyright Act (1968) and the U.S. case law on the extraterritorial reach of intellectual property laws demonstrate, lawmakers appear to be quite prepared to craft liability theories in the intellectual property context that have extraterritorial effects. We should be concerned, however, with how departure from the territoriality principle is justified. Extraterritorial assertions of domestic law have been traditionally regarded as exceptions to the primary rule that a nation's laws are confined to its own territory. These exceptions require justifications that make sense both domestically and internationally.<sup>151</sup>

### *B. Public International Law in Domestic Conflict of Laws*

In a technological and legal context where legal standards developed in one nation can easily affect policies developed in others, it is appropriate to look to public international norms for guiding principles. The idea that public international law principles should influence the development of domestic law, particularly where one nation's acts affect others, has a long legal pedigree, and in the copyright context, reflects a broad consensus among many<sup>152</sup> nations

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150. ROSALYN HIGGINS, PROBLEMS AND PROCESS: INTERNATIONAL LAW AND HOW WE USE IT 74-77 (1994). See also Hannah L. Buxbaum, *Transnational Regulatory Norms*, 46 VA. J. INT'L L. (forthcoming 2006) in which Professor Buxbaum presents a comprehensive analysis of this issue in the context of cross-border enforcement of regulatory statutes, in contexts such as anti-trust, RICO, and foreign security fraud.

151. HIGGINS, *supra* note 150, at 77.

152. Perhaps not all: Alan Story, *Burn Berne: Why the Leading International Copyright Convention Must Be Repealed*, 40 Hous. L. Rev. 763, 764 (2003).

about appropriate legal ordering for copyright matters.<sup>153</sup> For copyright issues, an obvious source for principles is the Berne Convention. In most cases, adherence to the territoriality principle is consistent with dominant international norms reflected in the Convention. The Ninth Circuit's emphasis in *Subafilms* on the role of international obligations in the shaping of domestic doctrine is consistent with the underlying national treatment premise of the international copyright regime: each nation's laws should govern issues of infringement for the places where the infringing activity interferes with the market that is created by each nation's copyright laws.<sup>154</sup> The territoriality principle is also consistent with normative principles that require accountability to the citizenship that is required to bear the costs of intellectual property enforcement. The *Subafilms* approach is more than "invocation of sovereignty for its own sake," to adopt Professor Rosalyn Higgins' phrase.<sup>155</sup> Moreover, the Ninth Circuit's approach reflects the principle that public international law obligations have a role in shaping domestic doctrine.<sup>156</sup> The Supreme Court recently emphasized the importance of "prescriptive comity" in the antitrust context,<sup>157</sup> and recent copyright jurisprudence<sup>158</sup>

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153. See generally, Ralph G. Steinhardt, *The Role of International Law as Canon of Domestic Statutory Construction*, 43 VAND. L. REV. 1103 (1990) (discussing the relevance of public international law obligations to the development of domestic law). Professors Jane Ginsburg and Sam Ricketson have recently argued that the requirement in art. 1 of the Universal Copyright Convention (943 U.N.T.S. 178) that parties provide authors with "adequate and effective protection of their rights" might oblige parties to include appropriate contributory liability principles). Jane C. Ginsburg & Sam Ricketson, *Inducers and Authorisers: A Comparison of the US Supreme Court's Grokster Decision and the Australian Federal Court's Kazaa Ruling*, 11 Media and Arts Law Review (forthcoming 2006), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=888928](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=888928). While I am generally sympathetic to Professors Ginsburg and Ricketson's project, my concern here is with the influence of public international law obligations on judge-made domestic law, rather than public international law obligations imposed on domestic governments.

154. See also Hans Ullrich, *TRIPs: Adequate Protection, Inadequate Trade, Adequate Competition Policy*, 4 PAC. RIM L. & POL'Y J. 153, 160 (1995) (arguing that extraterritorial application of domestic intellectual property law distorts competition).

155. HIGGINS, *supra* note 150, at 77.

156. See generally, Steinhardt, *supra* note 153, but see Edward Lee, *The New Canon: Using or Misusing Foreign Law to Decide Domestic Intellectual Property Claims*, 46 HARV. INT'L L.J. 1 (2005).

157. *F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 169 (2004): "...if America's antitrust policies could not win their own way in the international marketplace for such ideas, Congress, we must assume, would not have tried to impose them, in an act of legal imperialism, through legislative fiat."

158. See *Luck's Music Library, Inc. v. Gonzales*, 407 F.3d 1262 (D.C. Cir. 2005) (international bargaining leverage secured by membership of the Berne Convention achieved by copyright legislation relevant to the constitutionality of that legislation).

emphasizes the role of international obligations of the United States in the interpretation of the Copyright Clause.<sup>159</sup>

In the present context, however, it is also important to recognize that the Berne Convention emphasizes *both* territoriality as a structural matter and effective protection of the rights of authors as a governing substantive concern. As the Ninth Circuit in *Subafilms* pointed out, national treatment and territoriality are important premises upon which the international copyright regime is built. But they are not the only ones. The Berne Convention arose from a desire to *protect* authors' rights. This is evidenced in the 1883 statement from the Swiss government, inviting other nations to participate in the process of drafting an international copyright treaty:

The protection of the rights of authors in their literary and artistic works (literary and artistic property) is becoming more and more the object of International Conventions. It is, in fact, in the nature of things that the work of man's genius, once it has seen the light, can no longer be restricted to one country and to one nationality. If it possesses any value, it is not long in spreading itself in all countries, under forms which may vary more or less, but which, however, leave in its essence and its principal manifestations the creative idea. This is why, after all civilized States have recognised and guaranteed by their domestic legislation the right of writer and of artist over his work, the imperative necessity has been shown of protecting this right in international relations, which multiply and grow daily.<sup>160</sup>

That general purpose, internationalist in its aspirations, is affirmed by the preamble of the Convention, which now states that the nations of the Berne Union are "equally animated by the desire to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works literary and artistic works."<sup>161</sup> While the national treatment principle was adopted quite early in the treaty drafting process,<sup>162</sup> and, as a structural and normative matter, remains critical to international intellectual property relations,<sup>163</sup> we should be wary of the possibility that

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159. U.S. CONST., art. I, § 8, cl. 8.

160. December 1883, circular note from the Swiss Government to the governments of 'all civilized nations.' Reprinted in *Actes de la Conférence internationale pour la protection des droits d'auteur réunie à Berne du 8 au 19 Septembre 1884* (1884) ('*Actes 1884*'), 8-9, cited in SAM RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1888-1986*, 54 (1987).

161. Berne Convention, *supra* note 51, Preamble.

162. See RICKETSON, *supra* note 160, at 74.

163. See generally Austin, *Domestic Self-Determination*, *supra* note 78.

formalistic adherence to territoriality might undermine meaningful protection of authors' rights, which is precisely the idea that explicitly animates the Convention.

If public international law norms are to influence the development of domestic conflict of laws principles, courts should not always be impeded in imposing liability for indirect infringement in contexts in which the decision might have extraterritorial effects. Greater cognizance of the international legal context might also prompt reticence about developing policy positions such as those adopted by Justice Breyer in *Grokster*. In cases where the development of liability standards will have obvious extraterritorial effects, it might be appropriate to give more consideration to the extraterritorial implications of doctrinal commitments and their likely impacts on the international copyright regime in which the United States now plays such a significant part.

The public international law relating directly to copyright is not, however, the only source of relevant principles that might inform the development of domestic doctrine that responds appropriately to forms of infringement that are international in character and that have significant potential to impact other nations. A number of scholars and international and domestic agencies are becoming increasingly interested in the role that human rights norms might play in the development of intellectual property law.<sup>164</sup> The 1948 Universal Declaration of Human Rights, the foundational document for modern human rights law, announces authors' rights to their "moral and material interests" in their "scientific, literary or artistic production[s]."<sup>165</sup> In the mid-1960s, a similar clause was included in the International Covenant on Economic, Social and Cultural Rights, which has now been ratified by nearly 150 nations (though not the United States).

There are internal contradictions and tensions between many of the governing international human rights principles as they touch on

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164. See generally Audrey R. Chapman, A Human Rights Perspective on Intellectual Property, Scientific Progress, and Access to the Benefits of Science, Panel Discussion on Intellectual Property and Human Rights, at 3 (Nov. 8, 1998), <http://www.wipo.org/globalissues/events/1998/humanrights/papers/index.htm>. Lawrence Helfer, *Regime Shifting: The TRIPS Agreement and New Dynamics of International Intellectual Property Law Making*, 29 YALE J. INT'L L. 1 (2004); Lawrence Helfer, *Collective Management of Copyright and Human Rights: An Uneasy Alliance*, COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS, (Daniel J. Gervais, ed., Kluwer Law International 2006), available at <http://ssrn.com/abstract=816984>.

165. *Id.*



intellectual property issues.<sup>166</sup> The major instruments are themselves informed by both a concern to protect authors' interests, *and* a policy that the benefits of creativity should be widely shared. Importantly, international human rights law also confirms that everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.<sup>167</sup> Given the potential for P2P products and services that facilitate massive unlicensed reproduction and dissemination of copyright protected materials to disrupt the protections guaranteed to authors under the public international copyright regime, that regime is unlikely to provide a fertile source for legal principles that might facilitate their development. However, if P2P products and services become more generally protective of authors' rights *and* facilitate participation in the cultural life of the community, so that people can more readily enjoy the arts and share in scientific advancement and its benefits, human rights law may assist in our thinking about how the balance between authors and technology is to be struck.<sup>168</sup>

For those who think that copyrights—and other intellectual property rights—are too powerful, analysis grounded on human rights offer important advantages: The public international law on intellectual property treats protection of intellectual property rights as a universal, internationally applicable principle. Limited exceptions under domestic legal systems are permissible, but their development and justifications are usually localized to the particular jurisdiction

166. See Helfer, *supra* note 164. See also Maria Green, Drafting history of article 15(1)(c) of the International Covenant on Economic, Social and Cultural Rights, at 12-13 (Oct. 9, 2000) E/C.12/2000/15, available at

<http://www.unhchr.ch/tbs/doc.nsf/0/872a8f7775c9823cc1256999005c3088?Opendocument> (exploring the paucity of analysis of the relationship between public and private interests in the context of the drafting of art. 15(1)(c)). The UN Committee on Economic, Social and Cultural Rights has produced a General Comment on the interpretation of some aspects of art. 15(1)(c). Committee on Economic, Social and Cultural Rights, *The right of everyone to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author (art. 15(1)(c) of the Covenant)*, General Comment No. 17 (Nov. 21, 2005) [hereinafter General Comment], available at [http://www.unhchr.ch/tbs/doc.nsf/0/03902145edbbe797c125711500584ea8/\\$FILE/G0640060.pdf](http://www.unhchr.ch/tbs/doc.nsf/0/03902145edbbe797c125711500584ea8/$FILE/G0640060.pdf).

167. See United Nations International Covenant on Economic, Social and Cultural Rights, art. 15, Dec. 16, 1966 (effective Jan. 3, 1976), available at [http://www.unhchr.ch/html/menu3/b/a\\_ceschr.htm](http://www.unhchr.ch/html/menu3/b/a_ceschr.htm) (last visited Apr. 6, 2006). These aspects of article 15 have not yet received interpretation in a General Comment.

168. As Professor Ginsburg has suggested, this balance between the rights of copyright owners and the interests of those who develop new methods of dissemination has been a persistent concern in U.S. copyright jurisprudence. See Ginsburg, *supra* note 129. It is possible that international law might offer further insight into how that balance is to be calibrated.

that adopts them: public international intellectual property instruments do not invite development of a broader international consensus about the appropriate scope of exceptions to copyright owners' rights.<sup>169</sup> In contrast, if international human rights law can provide a source of values and principles that can serve as counterweights to the international copyright system, these may have greater international purchase, given the universal aspirations of the international human rights system.<sup>170</sup>

If P2P products and services develop in ways that genuinely favour wide legitimate distribution of the fruits of human creativity, while at the same time respecting the rights of those responsible for their production—ensuring meaningful, not merely symbolic protections—it may be possible to derive principles from international human rights law and international intellectual property law that are more supportive of new technologies of reproduction, search, and dissemination. In the conflict of laws context, such principles might sometimes swing the pendulum back in favour of territoriality, a principle that supports the idea that different nations are entitled to do things differently as circumstances require.<sup>171</sup> It might also encourage courts to consider more carefully the extraterritorial effects of their holdings—both *de jure* and *de facto*—and legislatures to be more reticent about localizing foreign intellectual property infringements in ways that have significant potential to affect other nations' copyright regimes.

Promoters of P2P products and services, along with other groups including activists, litigants, and a number of academics, have made sustained efforts in recent years to challenge the idea that copyright protection, and intellectual property protection generally, is founded

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169. See generally, Rochelle Dreyfuss and Graeme Dinwoodie, *International Intellectual Property Law and the Public Domain of Science*, 7 J. INT'L ECON. L. 431 (2004).

170. In some respects, human rights standards may be more exacting than the approach to limitations under the traditional public international law of intellectual property. For example, the General Comment, *supra* note 166 at para. 22-24, requires limitations to be "strictly necessary for the promotion of the general welfare in a democratic society," and the means adopted to be "proportionate," and adopt the least restrictive means to achieve such ends. However, as Professor Larry Helfer points out, the right of authors to be protected under human rights norms may be quite limited. In broad summary, the General Comment focuses on the rights of humans (not corporations), and emphasizes the right of authors to an adequate standard of living from their work. See Laurence R. Helfer, *Toward a Human Rights Framework for Intellectual Property*, 40 U.C. DAVIS L. REV. (forthcoming 2006-07), available at <http://ssrn.com/abstract=891303>.

171. See *id.* (discussing opportunities for distinct national approaches to intellectual property protections to develop in the shadow of the General Comment).

on unassailable societal norms.<sup>172</sup> This is part of the politics of contemporary intellectual property law, and may make the argument that failure to provide robust copyright protection in global markets being an offense against the “international order” seem somewhat tenuous.<sup>173</sup> Equally, however, a sustainable “*Kazaa* Revolution” is unlikely to be one that defies the international copyright system. Whatever its rhetorical appeal, the rallying cry of “it’s cool to infringe” is not the stuff from which coherent governing norms are likely to develop in an increasingly interconnected world – not, at least, of the type that will appeal to most legal actors. One of the major criticisms levelled at the *Kazaa* and *Grokster* decisions is that they are not “technology-friendly.”<sup>174</sup> But technological friendliness has not yet caught on as a principle around which an international judicial or legislative consensus has coalesced that would justify undermining the more established consensus focused on protecting authors’ rights in international commerce.<sup>175</sup>

The challenge is to develop new principles and norms that provide alternative visions of the international copyright order, articulated in a form that is likely to make sense to legal actors tasked with developing doctrine that responds to the threats to the international copyright order posed by P2P technologies. Until that work is done—if it can be done—the more venerable norms articulated in the public international law of copyright should govern.

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172. Even so, aspects of copyright infringement have been criminalized, and prosecutions continue. See, e.g., Joris Evers, *Software Pirate to Pay 1.1 Million*, CNET, Sept. 28, 1995, [http://news.com.com/2100-1029\\_3-5884914.html](http://news.com.com/2100-1029_3-5884914.html) (discussing a plea bargain in a software piracy prosecution initiated by the Federal Bureau of Investigation and Houston Police).

173. HIGGINS, *supra* note 150, at 58.

174. This criticism of the Australian decision was quickly made by Professor Kim Weatherall of Melbourne University School of Law in her regular blog on current intellectual property issues: Weatherall’s Law, [http://weatherall.blogspot.com/2005\\_09\\_01\\_weatherall\\_archive.html#112592939140783823](http://weatherall.blogspot.com/2005_09_01_weatherall_archive.html#112592939140783823).

175. Of course, free availability of copyright protected works may be very difficult, if not impossible, to reconcile with the Berne Convention “three-step test,” by which exceptions to copyright owners’ rights are tested in international law. The three-step test governs other major intellectual property instruments. See, e.g., article 13 of the TRIPs Agreement, *supra* note 104. In the Berne Convention, the three step test is in article 9(2), which provides “It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.” In recent work, some scholars are contesting whether the legal instruments constituting the international intellectual property and world trade system are a “hermetically sealed” system, or whether there is scope for account to be taken of other public international law instruments and laws. See generally JOOST PAUWELYN, *CONFLICT OF NORMS IN PUBLIC INTERNATIONAL LAW* (2003).

## V. CONCLUSION

Neither the Federal Court of Australia in *Kazaa* nor the U.S. Supreme Court in *Grokster* engaged directly with the international implications of liability theories that respond to unlicensed P2P products and services. However, the international context pertains to both the facts that are relevant to the application of the theories and the potential effects of their application. Many of the primary infringers, whose activities justify the imposition of liability, are likely to be located beyond the forum; and the liability theories themselves and remedies imposed by the court have the potential to impact the conduct of Internet users in every jurisdiction that they are located. But even theories that are less protective of copyrights and more supportive of technological development have the potential to have significant international effects, as the discussion of Justice Breyer's *Grokster* concurrence explains.

In future cases, if Australian or U.S. courts were to confront the international aspects of these liability theories more directly, they would find significant support in doctrine and legislative principles for adopting an expansive, extraterritorial approach. In the United States, where the legislature has not localized foreign infringement in the same way as has been achieved under Australian law, the territoriality principle has become increasingly contested, both in copyright and other branches of intellectual property law. As a result, courts have significant freedom to depart from the territoriality premise. One source for principles that might guide this doctrinal evolution is the public international law of copyright. International copyright law has meaningful protection of copyrights as its foundational principle, even though it is also premised on territoriality. Of course, as Justice Breyer's opinion in *Grokster* indicates, domestic lawmakers might view copyright law and policy differently and develop doctrine that is not consistent with international intellectual property norms. Given the significant potential for such doctrinal positions to affect policy decisions adopted in other nations, this doctrine might be more supportable if it were grounded in concepts and principles around which an international consensus might coalesce.

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